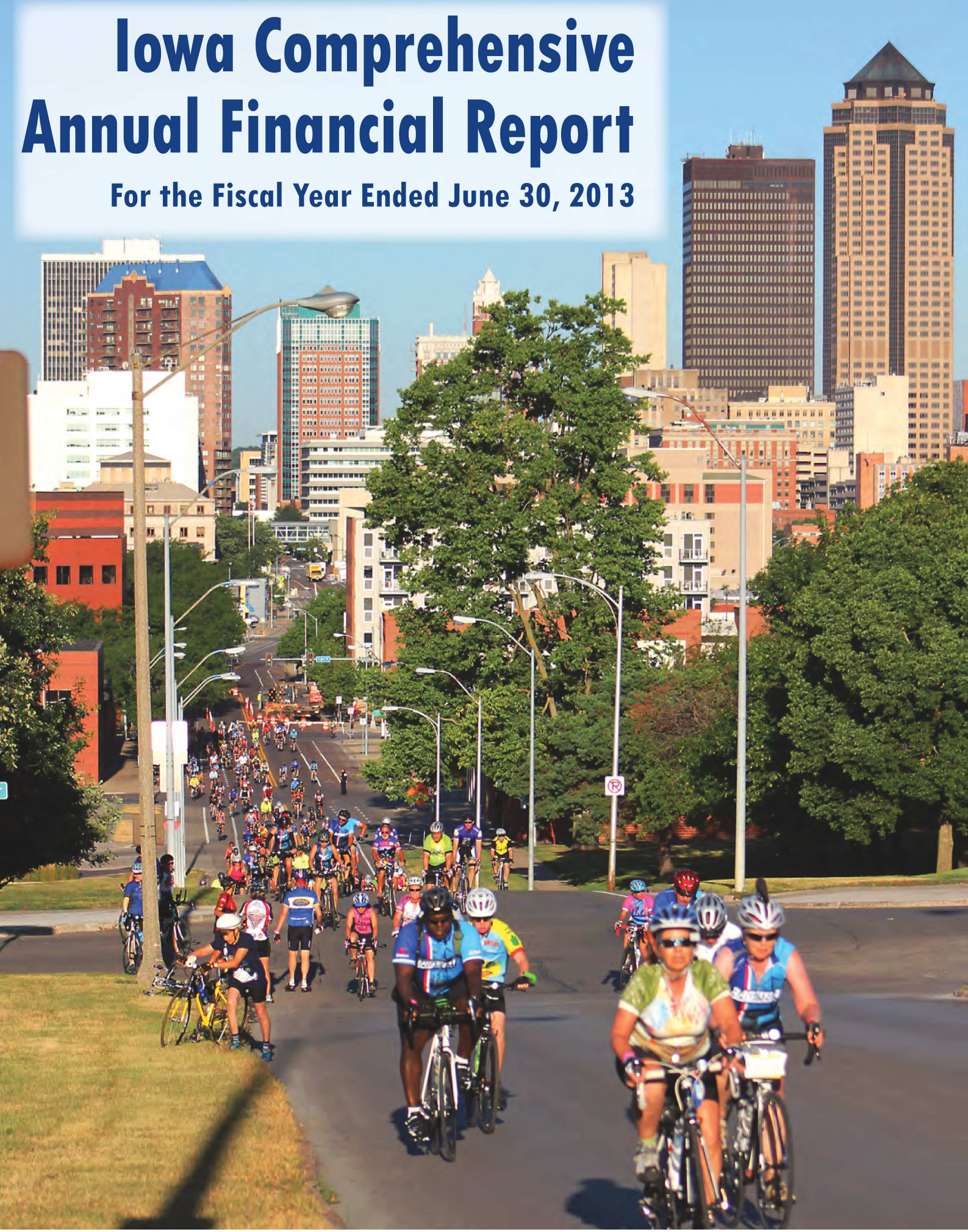
Iowa Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013



The 41st consecutive Register's Annual Great Bicycle Ride Across Iowa (RAGBRAI) rolled by the State Capitol in Des Moines, July 2013. RAGBRAI draws bicycle riders from across the United States and many foreign countries. The route averages 468 miles over 7 days and it is held the last full week of July.

Photos by the Iowa Department of Administrative Services, 2013.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013

GOVERNOR:
Terry E. Branstad

PREPARED BY:
The Iowa Department of Administrative Services - State Accounting Enterprise

STATE OF IOWA

Comprehensive Annual Financial Report
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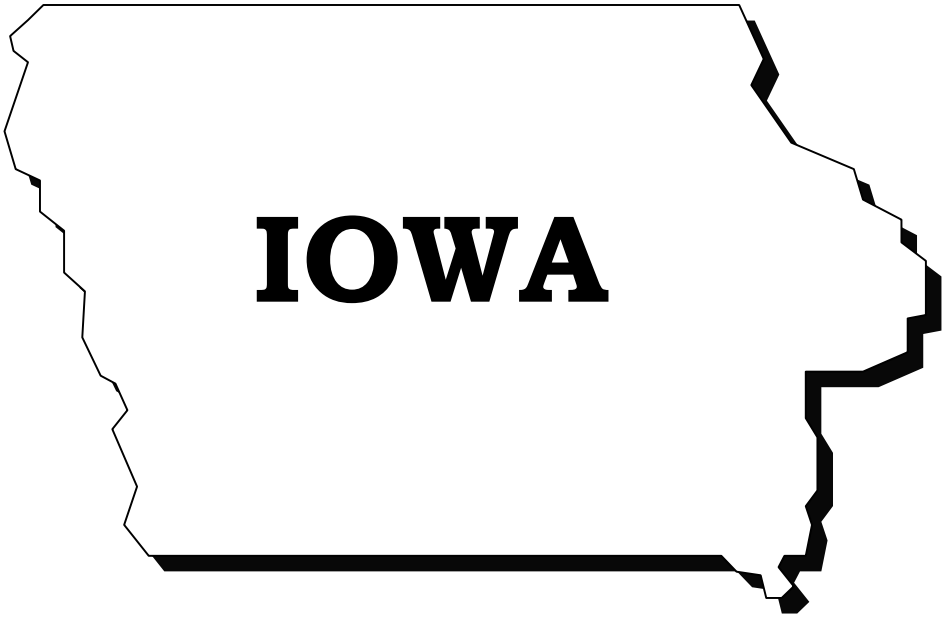
ACKNOWLEDGMENTS


IOWA

INTRODUCTORY SECTION

December 13, 2013

TO THE CITIZENS, GOVERNOR AND MEMBERS OF THE IOWA GENERAL ASSEMBLY

In accordance with Iowa Code Section 8A.502(8), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Iowa for the fiscal year ended June 30, 2013. As required by State statute, this report has been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB).

The Department of Administrative Services and the Department of Management are responsible for both the accuracy of the presented data and the completeness and fairness of the presentation. We believe the information presented is accurate in all material respects and the necessary disclosures have been made in order to enable the reader to understand the State's financial activity.

The State's system of internal controls over assets recorded in the accounting system have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded against unauthorized use or disposition and financial records from all appropriate sources are reliable for preparing financial statements and maintaining accountability. The concept of reasonable assurance recognizes the cost of internal controls should not exceed the benefits likely to be derived from their use. To monitor the adequacy of internal controls, the Auditor of State reviews internal control procedures as an integral part of departmental audits.

The Auditor of State is required by Chapter 11 of the Code of Iowa to audit annually all departments of the State. The accompanying basic financial statements of the State of Iowa have been audited by the Auditor of State in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The Auditor of State's report appears elsewhere herein. In addition, the Auditor of State conducts a single audit under the requirements set forth in the Single Audit Act of 1984, the Single Audit Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. That report is issued separately.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The State of Iowa was admitted into the Union as the 29th state in 1846. Iowa is a midsize state with a mid-continent location. It covers 56,276 square miles, making it the 26th largest state in the United States. The Mississippi River carves out Iowa's eastern border, while the flow of the Missouri and Big Sioux Rivers form the western border. Iowa has a population of 3.0 million.

In Iowa, government power is distributed among three branches. The Legislative branch creates laws that establish policies and programs; the Executive branch carries out the policies and programs created in the laws and the Judicial branch resolves any conflicts arising from interpretation or application of the laws. The Executive branch agencies are the Governor, Lieutenant Governor, Secretary of State, Treasurer of State, Secretary of Agriculture, Attorney General and Auditor of State, as well as 28 agencies lead by appointed State officials. The Legislative branch is comprised of two houses, a 50 member Senate and a 100 member House of Representatives. The Judicial branch is presided over by the Iowa Supreme Court, which is led by the Chief Justice of the Supreme Court.

The State provides a range of services such as education, health and human services, highway maintenance and construction, natural resources and agriculture management, law enforcement, public safety and economic development programs.

This report includes all of the fund types, departments and agencies of the State, as well as the boards, commissions, authorities and universities for which the State is financially accountable. Component units also included in the report are the Iowa Finance Authority, Iowa Economic Development Authority, Iowa Agricultural Development Authority, Iowa State Fair Authority, Iowa Lottery Authority, University Foundations, University of Iowa Research Foundation, and University of Iowa Health System and Subsidiaries. The reader is directed to Note 1.B in the Notes to the Financial Statements for a more complete description of the factors used to define the reporting entity.

State Budget and Budgetary Controls. The annual budgetary process serves as the foundation for the State's financial planning and control. Each year state departments submit budget requests to the Governor's Office by October 1. The State's budget is prepared by the Governor on an annual basis and is required to be submitted, along with proposed appropriation bills, to the General Assembly by the first of February prior to the new fiscal year. The General Assembly approves appropriation bills which establish spending authority for the upcoming fiscal year. The Governor has the ability to approve, veto or item veto appropriation bills as they are presented to him.

Departments may request revisions to allotments, appropriation transfers, or supplemental appropriations. The Department of Management approves revised allotments within an appropriation, subject to the Governor's review. The Governor and the Department of Management approve all appropriation transfers. The General Assembly and the Governor act on supplemental appropriation bills in a manner similar to original appropriations. Appropriations lapse at fiscal year-end and all unencumbered or unobligated balances revert to the State treasury, unless otherwise provided.

All claims presented for payment must be approved by the appropriate department. The expenditure must be for a purpose intended by law and a sufficient existing and unexpended appropriation balance must be available. Budgetary controls are incorporated into State accounting systems. The annual budget of the State is established through separate appropriations to individual departments for specific purposes, special outlays and/or operating expenditures. Budgetary control is essentially

maintained at the departmental level except for certain grant and aid programs where control is maintained at the program level.

ECONOMIC CONDITION AND OUTLOOK

National Economic Outlook 2013-2014

During fiscal year 2013, gross domestic product showed growth of 1.6 percent, reflecting the continued overall slow rebound the national economy is experiencing. According to Moody's Analytics, projections for gross domestic product growth in fiscal year 2014 are a higher 2.8 percent.

Job growth has been slow and is estimated not to improve over the next 12 months. Employment had been on a decline in the United States starting at the end of calendar year 2007, losing 8.7 million jobs during calendar years 2008 and 2009. During fiscal year 2013, 1.8 million jobs were gained nationally. Projections provided by Moody's Analytics for fiscal year 2014 are for continued slow growth with 1.8 million projected jobs gained.

State and Local Economy

Iowa's economy is supported by a diverse mixture of industry, agriculture, services and government employment. In calendar year 2012, 16.7 percent of the state's gross domestic product was in manufacturing, down from 20.5 percent 10 years ago. Finance and insurance has grown over the past 10 years from 10.4 percent of the total gross domestic product to 12.7 percent. With the growth in renewable fuels processing in Iowa, and higher grain and livestock prices, agriculture has grown from 3.7 percent in 2002 to 6.7 percent in 2012.

Gross Domestic Product. The gross domestic product is the U.S. Commerce Department's measure of the value of all goods and services produced in Iowa each year. In calendar year 2012, Iowa's real gross domestic product increased 2.4 percent ranking Iowa 16th highest in growth rate nationally. The United States average growth during the calendar year was 2.5 percent.

Personal Income. Personal income, as reported by the U.S. Department of Commerce, for the nation increased 3.5 percent during calendar year 2012. Iowa's personal income rose 2.8 percent for the calendar year 2012, on top of a 9.1 percent increase during the calendar year 2011. For the second quarter, calendar year 2013, Iowa's personal income decreased 0.4%.

Employment. Over the past 10 years, Iowa's unemployment rate has been between one and three percentage points below the national average. As of June 2013, the state unemployment rate stood at 4.6 percent, while the national average stood at 7.6 percent. Following the national trend, unemployment at the state level has continued to drop during fiscal year 2013, from 5.1 percent in June 2012 to 4.6 percent in June 2013. During fiscal year 2013, nonfarm employment on a seasonally adjusted basis increased a net 24,100 jobs, with 15,900 more people in the workforce. During this time period, the manufacturing sector gained 5,100 jobs, 5,000 jobs were gained in the professional and business sector, 3,800 jobs gained in the financial activities sector, and 3,500 jobs in the leisure and hospitality sector. These gains were offset by reductions of 1,200 jobs in the government sector. The rest of the economic sectors have smaller job changes.

Exports. The rise in exporting industries has been an important factor in Iowa's economic growth since the 1990's. Growth in exports of industrial machinery, instruments and measurement devices,

electronics, specialized transportation equipment, chemicals and pharmaceuticals, and processed food products have helped diversify Iowa's economy. In calendar year 2012 according to the U.S. Census Bureau, Iowa's exports increased 10.1 percent, after increasing 22.2 percent in calendar year 2011.

Canada continues to remain the top country for Iowa's exports, with Mexico being Iowa's second best trading partner. In 2012, Iowa's agricultural export value was second to only California nationally, being first in the nation in exporting pork, corn, soybean, feeds, and grain products.

Agriculture. The agricultural sector continues to be a strong presence in Iowa. Approximately 93 percent of the land area in the state is in farms. The U.S. Department of Agriculture reported in 2011, Iowa led the nation in the production of corn, soybeans, hogs, and eggs, and was second in red meat production.

Farmland Values. The Federal Reserve Bank of Chicago, in their most recent public release, stated that, farmland values for the Seventh Federal Reserve District (Chicago) had, for the second quarter 2012, continued to increase in value year over year at 17 percent. Farmland values in Iowa were tied for second highest in the district, with a year-over-year increase of 18 percent for the period July 1, 2012 to July 1, 2013. Bankers responding to the survey sent out by the Chicago Federal Reserve Bank believe that land values will flatten out during the last half of calendar year 2013.

Manufacturing. Iowa's manufacturing employment increased to an average of 210,400 for 2012, up from the 2011 level of 205,800. During calendar year 2012, durable goods products accounted for about 59.9 percent of manufacturing employment.

Financial Policies

The Governor and General Assembly have statutory responsibility to balance the budget.

- Spending is limited to 99.0 percent of adjusted revenues, 95.0 percent of any new revenue implemented in a fiscal year, and any carry-over from the previous year.
- The Governor and the Legislature are required to use the revenue estimates agreed to by the December Revenue Estimating Conference, or the spring estimate if it is lower, as a basis to determine the General Fund budget for the following year.
- Two reserve funds have been created: the Cash Reserve Fund and the Economic Emergency Fund. Expenditures from these funds are limited by statute for nonrecurring, emergency expenditures.

MAJOR INITIATIVES AND ISSUES

Property Tax Reform. During the 2013 session, Governor Branstad proposed and the General Assembly adopted legislation creating the largest tax cut in Iowa history. Beginning in 2015, the legislation reduces commercial property taxes with no shifting of tax burden to other classes of property and the reduction continues to increase for the next three years. The legislation also provides for an overall property tax reduction for all classes of property. In addition to the property tax relief, the legislation included nearly $90 million in annual income tax relief. Legislation was passed which fully funded the Homestead Tax Credit and the Elderly and Disabled Tax Credit in fiscal year 2014. Finally, included in legislation passed were changes in the school finance formula so the "allowable growth" is replaced by 100 percent state aid, not through increases in property taxes.

Education Reform. Governor Branstad spearheaded the passage of landmark education reform legislation meeting the Governor's goal of transformational, systemic reform by making the teaching profession more attractive with leadership roles and higher pay, creating a process that calls for reliable student assessments that move Iowa toward better teacher evaluations with student achievement growth as one component, and providing school choice legislation that offers independent accreditation for private schools and strengthens home-school freedoms.

Medicaid Modernization. Governor Branstad signed into law legislation creating the Iowa Health and Wellness Plan for the Medicaid population which makes Iowa the national leader for patient outcomes in providing health care for low income individuals.

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgment. The preparation of this report on a timely basis requires the collective efforts of numerous finance personnel throughout the State and is made possible only with the cooperation and support of the Executive, Legislative and Judicial branch agencies, universities and component units of the State.

This report could not have been accomplished without the professionalism and dedication of the staff in the Department of Management, the State Accounting Enterprise within the Department of Administrative Services, the Auditor of State's Office, and the financial and management personnel throughout State government.

This report, issued for the twenty-fifth consecutive year, continues our commitment to the citizens of the State of Iowa, the Governor, the Legislature and the financial community, to maintain our financial statements in conformance with the highest standards of financial accountability.

Respectfully submitted,

Mike Carroll, Director
Department of Administrative Services

David Roederer, Director
Department of Management

Government Finance Officers Association

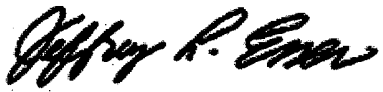
Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Iowa

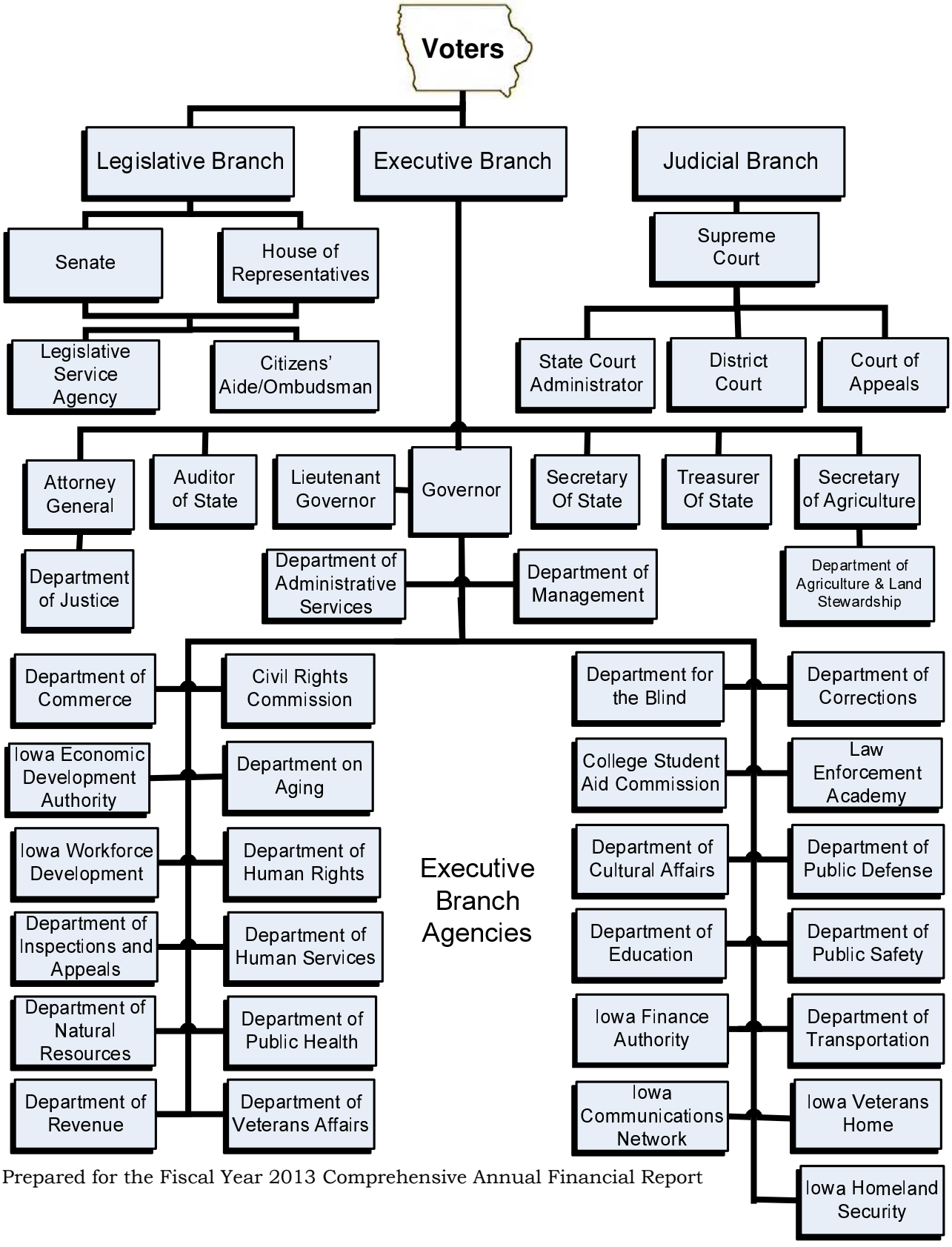
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012



Executive Director/CEO

State of Iowa Organizational Chart



Prepared for the Fiscal Year 2013 Comprehensive Annual Financial Report

Principal Officials

Elected Officials

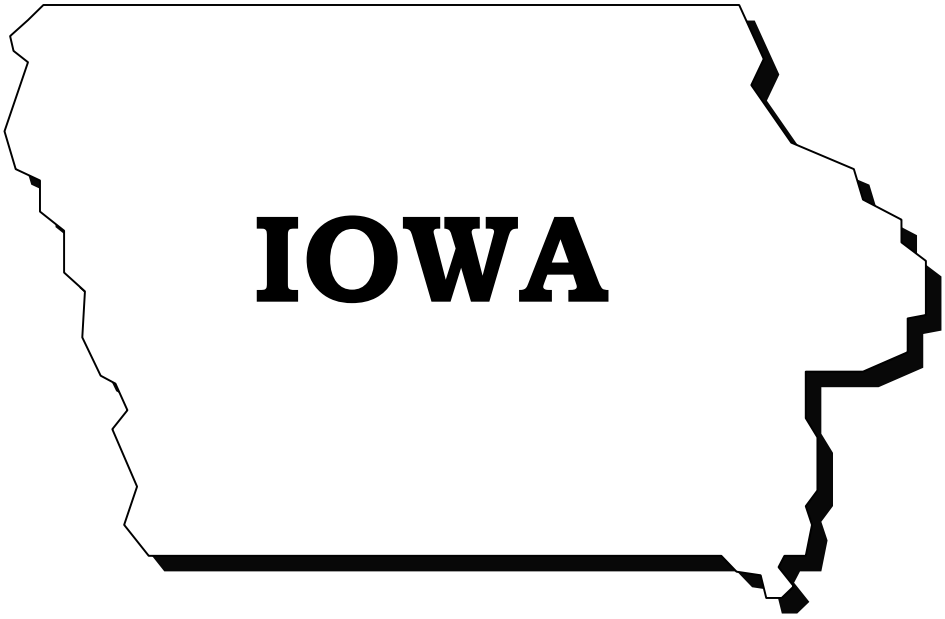
GOVERNOR	-	**Terry E. Branstad**
LIEUTENANT GOVERNOR	-	**Kimberly K. Reynolds**
SECRETARY OF STATE	-	**Matt Schultz**
AUDITOR OF STATE	-	**Mary Mosiman**
TREASURER OF STATE	-	**Michael L. Fitzgerald**
SECRETARY OF AGRICULTURE	-	**William H. Northey**
ATTORNEY GENERAL	-	**Thomas J. Miller**

Legislative Branch

PRESIDENT OF THE SENATE	-	**Pam Jochum**
SPEAKER OF THE HOUSE OF REPRESENTATIVES	-	**Kraig Paulsen**

Judicial Branch

CHIEF JUSTICE OF THE SUPREME COURT	-	**Mark S. Cady**


IOWA

FINANCIAL SECTION

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Governor and Members of the General Assembly:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the State's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tobacco Settlement Authority, which is both a major fund and 4% of the assets and less than 1%, respectively, of the net position and the revenues of the governmental activities. We did not audit the financial statements of the Honey Creek Premier Destination Park Authority, which represents less than 1% of the assets, the net position and the revenues of the governmental activities and less than 1% of the assets, the fund balance and the revenues of the aggregate remaining funds. We also did not audit the financial statements of the Iowa Finance Authority, the University of Iowa Foundation, the Iowa State University Foundation, the University of Northern Iowa Foundation, the University of Iowa Research Foundation and the University of Iowa Health System & Subsidiaries, which represent a total of 92%, 90% and 48%, respectively, of the assets, the net position and the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Tobacco Settlement Authority, the Honey Creek Premier Destination Park Authority, the Iowa Finance Authority, the University of Iowa Foundation, the Iowa State University Foundation, the University of Northern Iowa Foundation, the University of Iowa Research Foundation and the University of Iowa Health System & Subsidiaries, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Iowa Foundation, the Iowa State University Foundation, the University of Northern Iowa Foundation and the University of Iowa Health System & Subsidiaries were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Iowa's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Iowa's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of June 30, 2013, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedules of Funding Progress on pages 19 through 30 and 120 through 126 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the auditors of the Tobacco Settlement Authority, the Honey Creek Premier Destination Park Authority, the Iowa Finance Authority and the University of Iowa Research Foundation have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to the auditor's inquiries, the basic financial statements and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State of Iowa's basic financial statements. The supplementary information identified in the table of contents and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures described above, and the reports of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

Our report on the State of Iowa's internal control over financial reporting and other tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters required by Government Auditing Standards will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State of Iowa's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended on June 30, 2013. Readers are encouraged to consider this information in conjunction with the letter of transmittal located at the front of the CAFR and the State's financial statements, which follow this section of the CAFR.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights

- The assets of the State of Iowa exceeded its liabilities at the close of fiscal year 2013 by $15,186.3 million (net position). Of this amount, $2,305.3 million (unrestricted net position) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net position increased $1,141.5 million in the fiscal year ended June 30, 2013. Net position of governmental activities increased $745.1 million, or 8.8%, while net position of business-type activities increased $396.4 million, or 7.1%.
- In the State's governmental activities, revenues increased 2.0% to $14,880.6 million while expenses decreased 0.5% to $13,641.0 million.
- For business-type activities, revenues decreased 3.5% to $4,669.0 million while expenses decreased 0.8% to $4,770.2 million.

Fund Highlights

- The State's governmental funds reported a combined ending fund balance of $3,255.0 million, a $380.6 million increase from the prior year. Of this amount, $59.5 million represents nonspendable fund balances, $1,588.6 million represents spendable restricted fund balances, $2,174.3 million represents spendable committed fund balances and a negative $567.4 million represents unassigned fund balances.
- The General Fund total fund balance increased $424.2 million to $3,050.2 million.
- The proprietary funds reported net position at year-end of $6,129.0 million, an increase of $401.9 million.

Long-term Debt

- The State's total long-term debt increased $214.5 million, or 6.2%, to $3,701.2 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of the CAFR consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and an optional section that presents supplementary information.

Basic Financial Statements

The basic financial statements include the government-wide financial statements, the fund financial statements and the notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the State's financial activity. These statements are prepared using the accrual basis of accounting and the economic resources measurement focus, in a manner similar to a private-sector business.

- The *Statement of Net Position* presents financial information on all of the State's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating, respectively.
- The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. This statement is formatted to report direct expenses, program revenues and the

net revenues or expenses for each of the State's governmental functions and business-type activities. This format identifies the extent to which each function is self-financed or is supported by the general revenues of the State.

The government-wide financial statements of the State are divided into three categories:

- *Governmental activities* – Most services generally associated with State government, such as administration & regulation, education, health & human rights, human services, justice & public defense, economic development, transportation and agriculture & natural resources, are included in this category.
- *Business-type activities* – State operations such as the Universities and the Unemployment Benefits Fund that charge fees to external customers and function similarly to private business are included here.
- *Component units* – These are operations that are legally separate from the State, but for which the State is financially accountable. The State's discretely presented component units are:
    - Iowa Finance Authority (Business-type)
    - Iowa Economic Development Authority (Business-type)
    - Iowa Agricultural Development Authority (Business-type)
    - Iowa State Fair Authority (Business-type)
    - Iowa Lottery Authority (Business-type)
    - University of Iowa Foundation (Business-type)
    - Iowa State University Foundation (Business-type)
    - University of Northern Iowa Foundation (Business-type)
    - University of Iowa Research Foundation (Business-type)
    - University of Iowa Health System & Subsidiaries (Business-type)

  Additional information about the State's component units is presented in NOTE 1-B of the Notes to the Financial Statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds. The State has three types of funds:

- *Governmental funds* – Most of the basic services provided by the State are accounted for in governmental funds. Governmental funds use the modified accrual basis of accounting and the flow of current financial resources measurement focus. Modified accrual accounting is used to show the flow of financial assets of the funds and the balances available for spending at year-end. These statements provide a detailed *short-term* view that assists in determining whether there are adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliation schedules accompany the governmental funds statements. The General Fund, Tobacco Settlement Authority and Tobacco Collections Fund are the State's major governmental funds. Nonmajor governmental funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.
- *Proprietary funds* – Services for which the State charges customers a fee are generally reported in proprietary funds. Proprietary funds use the accrual basis of accounting and, like the government-wide statements, provide both long-term and short-term financial information.
    - The State's enterprise funds (one type of proprietary fund) are used to report activities, such as universities, that are presented as business-type activities in the government-wide statements.
    - The State's internal service funds (the other type of proprietary fund) are used to account for activities that provide supplies and services for other State programs and activities – such as the Workers' Compensation Fund.

  The University Funds and the Unemployment Benefits Fund are the State's major proprietary funds. Nonmajor proprietary funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.
- *Fiduciary funds* – These funds are used to show assets held by the State as trustee or agent for others outside the State, such as the Iowa Public Employees' Retirement System and the Iowa Educational Savings Plan Trust. Similar to proprietary funds, these funds use the accrual basis of accounting.

Because the State cannot use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed above.

Table 1

Major Features of the State's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the State operates similar to private businesses: the universities and the Iowa Communications Network	Instances in which the State is the trustee or agent for someone else's resources, such as the retirement plan for public employees
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the State's funds do not contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the government-wide and fund financial statements. The notes also explain some of the information contained in the financial statements and present more detail than is practical in the financial statements.

Required Supplementary Information

In addition to this Management's Discussion and Analysis, Required Supplementary Information (RSI) includes the Budgetary Comparison Schedule. This schedule presents both the original and final appropriated budget for major funds. The Budgetary Comparison Schedule is accompanied by a Budget to GAAP Reconciliation and by Notes to RSI. Schedules of funding progress for the Judicial Retirement System, the Peace Officers' Retirement, Accident and Disability System and Other Postemployment Benefits are also presented.

Supplementary Information

The Supplementary Information includes combining financial statements for non-major governmental funds, non-major enterprise funds, internal service funds and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

The State's combined net position (governmental and business-type activities) totaled $15,186.3 million at June 30, 2013, compared to $14,044.8 million at June 30, 2012, as indicated in Table 2.

The State of Iowa implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in fiscal year 2013. GASB 63 changed the titles net assets and invested in capital assets, net of related debt to net position and net investment in capital assets, respectively.

Table 2

Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage
				Restated		Restated	Change
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	$5,099.3	$4,756.4	$4,827.8	$4,324.4	$ 9,927.1	$ 9,080.8	9.3%
Capital assets	7,896.9	7,573.2	4,287.2	3,997.6	12,184.1	11,570.8	5.3%
Total assets	12,996.2	12,329.6	9,115.0	8,322.0	22,111.2	20,651.6	7.1%
Long-term liabilities	2,116.3	2,195.0	2,045.1	1,745.6	4,161.4	3,940.6	5.6%
Other liabilities	1,680.0	1,679.8	1,083.5	986.4	2,763.5	2,666.2	3.6%
Total liabilities	3,796.3	3,874.8	3,128.6	2,732.0	6,924.9	6,606.8	4.8%
Net position:							
Net investment in capital assets	7,579.7	7,298.0	2,700.0	2,534.2	10,279.7	9,832.2	4.6%
Restricted	1,085.0	1,066.4	1,516.3	1,368.5	2,601.3	2,434.9	6.8%
Unrestricted	535.2	90.4	1,770.1	1,687.3	2,305.3	1,777.7	29.7%
Total net position	$9,199.9	$8,454.8	$5,986.4	$5,590.0	$ 15,186.3	$ 14,044.8	8.1%

Net position of the State's governmental activities increased 8.8% to $9,199.9 million. The largest component (82.4%) of the State's net position is its investment in capital assets (e.g. land, buildings, equipment, infrastructure and others), less any related outstanding debt that was used to acquire or construct the assets. Restricted net position is the next largest component (11.8%). These represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position is the remaining portion (5.8%) and may be used at the State's discretion, but often have limitations on use based on State statutes.

The net position of business-type activities increased 7.1% to $5,986.4 million. The State generally can only use the net position to finance the continuing operations of the universities, unemployment insurance and other business-type activities.

Long-term liabilities increased 5.6% to $4,161.4 million due primarily to an increase in long-term bonds payable. The overall net increase in long-term bonds payable of $189.3 million is the result of a $266.1 million net increase for business-type activities which is offset by a $76.8 million net decrease for governmental activities. Governmental activities long-term bonds payable decreased due to a combination of a $26.5 million increase in current bonds payable for the Tobacco Settlement Authority Asset-Backed Bonds and retirement of principal totaling $49.8 million. Business-type activities long-term bonds payable increased primarily due to the issuance of the following revenue bonds in FY2013 by the University of Iowa: $190.0 million of Hospital Revenue Bonds, $29.0 million of Dormitory Revenue Bonds and $25.0 million of Parking System Revenue Bonds.

Other liabilities increased 3.6% to $2,763.5 million. The $97.3 million increase was due largely to increases in funds held in custody of $71.3 million and in unearned revenue of $17.7 million.

Changes in Net Position

The State's total net position increased by $1,141.5 million during the year, as indicated in Table 3.

Table 3
Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage
	2013	2012	2013	Restated 2012	2013	Restated 2012	Change 2012-2013
Program revenues							
Charges for services	$ 1,907.2	$ 2,134.5	$ 3,573.7	$ 3,560.0	$ 5,480.9	$ 5,694.5	-3.8%
Operating grants & contributions	4,619.1	4,489.1	864.8	1,044.2	5,483.9	5,533.3	-0.9%
Capital grants & contributions	426.3	494.7	61.9	61.3	488.2	556.0	-12.2%
General revenues							
Personal income tax	3,446.9	3,040.4	-	-	3,446.9	3,040.4	13.4%
Corporate income tax	429.0	430.4	-	-	429.0	430.4	-0.3%
Sales & use tax	2,509.8	2,454.2	-	-	2,509.8	2,454.2	2.3%
Other tax	759.7	756.7	7.5	7.0	767.2	763.7	0.5%
Motor fuel tax restricted for transportation purposes	438.0	438.9	-	-	438.0	438.9	-0.2%
Road use tax restricted for transportation purposes	307.8	303.4	-	-	307.8	303.4	1.5%
Unrestricted investment earnings	6.2	21.1	110.0	90.9	116.2	112.0	3.8%
Other	30.6	28.2	51.1	76.8	81.7	105.0	-22.2%
Total revenues	**14,880.6**	**14,591.6**	**4,669.0**	**4,840.2**	**19,549.6**	**19,431.8**	0.6%
Expenses							
Administration & regulation	1,376.9	1,411.8	-	-	1,376.9	1,411.8	-2.5%
Education	3,582.4	3,551.3	-	-	3,582.4	3,551.3	0.9%
Health & human rights	420.8	423.2	-	-	420.8	423.2	-0.6%
Human services	5,509.9	5,466.2	-	-	5,509.9	5,466.2	0.8%
Justice & public defense	1,095.3	1,082.8	-	-	1,095.3	1,082.8	1.2%
Economic development	186.9	254.9	-	-	186.9	254.9	-26.7%
Transportation	1,149.9	1,206.9	-	-	1,149.9	1,206.9	-4.7%
Agriculture & natural resources	219.6	214.5	-	-	219.6	214.5	2.4%
Interest expense	99.3	101.8	-	-	99.3	101.8	-2.5%
University Funds	-	-	3,958.3	3,842.3	3,958.3	3,842.3	3.0%
Unemployment Benefits Fund	-	-	554.9	718.6	554.9	718.6	-22.8%
Other	-	-	257.0	246.7	257.0	246.7	4.2%
Total expenses	**13,641.0**	**13,713.4**	**4,770.2**	**4,807.6**	**18,411.2**	**18,521.0**	-0.6%
Increase (decrease) in net position before special & extraordinary items & transfers	1,239.6	878.2	(101.2)	32.6	1,138.4	910.8	25.0%
Special items - disposal of operations	5.7	-	-	-	5.7	-	100.0%
Extraordinary items - impairment of assets & other	-	-	(2.6)	1.0	(2.6)	1.0	-360.0%
Transfers	(500.2)	(456.9)	500.2	456.9	-	-	0.0%
Increase in net position	**745.1**	**421.3**	**396.4**	**490.5**	**1,141.5**	**911.8**	25.2%
Net position - July 1, restated	**8,454.8**	**8,033.5**	**5,590.0**	**5,099.5**	**14,044.8**	**13,133.0**	6.9%
Net position - June 30	**$ 9,199.9**	**$ 8,454.8**	**$ 5,986.4**	**$ 5,590.0**	**$ 15,186.3**	**$ 14,044.8**	8.1%

The State of Iowa received $193.3 million and spent $201.6 million in federal funds as a result of the American Recovery and Reinvestment Act of 2009 (ARRA), a decrease of 49.5% and 48.0%, respectively, from FY2012. Additionally, $86.3 million in benefits were issued by the Department of Human Services to clients for the Supplemental Nutrition Assistance Program (SNAP) as a result of ARRA, an increase of 0.1% from FY2012.

Governmental Activities

The largest fluctuations in program revenues were in charges for services and in operating grants and contributions with a decrease of $227.3 million and an increase of $130.0 million, respectively. The decrease in charges for services was most significant in Human Services and was primarily attributable to a decrease of

$194.4 million in county billings for Medicaid expenses as a result of Mental Health Redesign. The increase in operating grants and contributions occurred primarily in Human Services also, and was largely due to increases in federal support of $89.9 million for medical assistance and $41.0 million for Medicaid technology.

The greatest percentage change in program revenue, a 13.8% decrease, is found in capital grants and contributions. The decrease is a result of a $73.0 million reduction in the receipt of federal highway planning and construction funds.

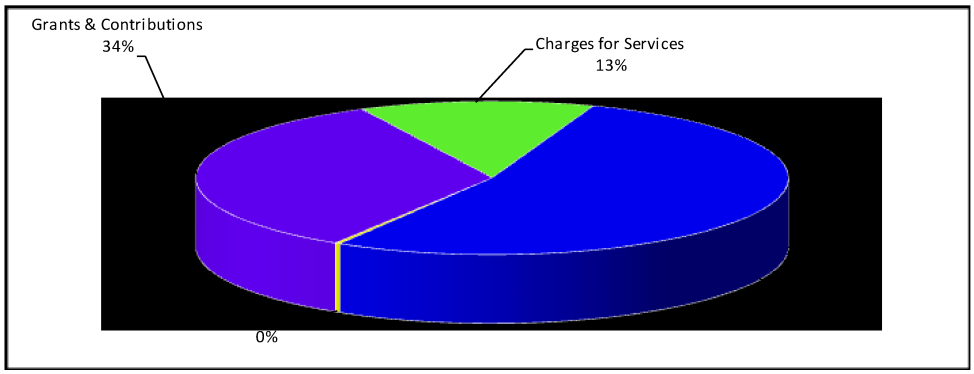
The largest increases in general revenues were in personal income tax, $406.5 million or 13.4%, and in sales and use tax of $55.6 million or 2.3%, with the balance of tax revenues remaining relatively constant to the prior year. The overall increase in tax revenues was generally a result of the continuing improvement in the state economy.

Overall, expenses for governmental activities decreased 0.5%. Expenses decreased most significantly in economic development, 26.7%, and in transportation, 4.7%. The decrease in economic development expenses of $68.0 million is partially a result of a $48.4 million reduction in state aid for economic development related projects and a $17.3 million reduction of ARRA related expenses for workforce development. The decrease in transportation expenses of $57.0 million is largely due to the reduction in spending of federal highway planning and construction funds.

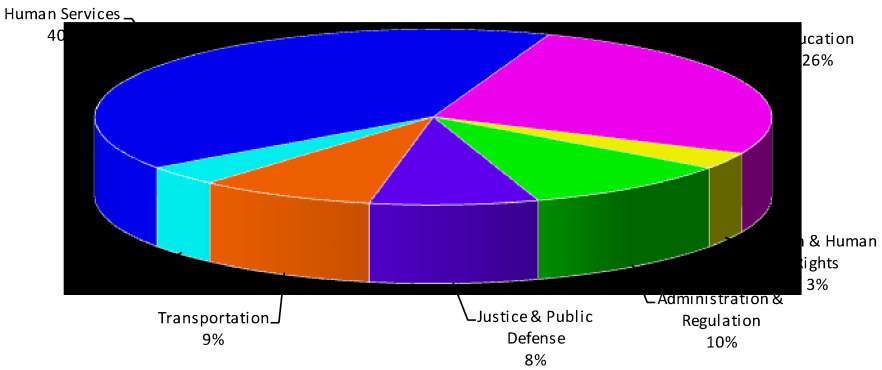
In FY2013, the State of Iowa, Iowa College Student Aid Commission (ICSAC), disposed of the Federal Family Education Loan Program (FFELP) and the Building Energy Management (BEM) program. The FFELP was transferred to the Great Lakes Higher Education Guaranty Corporation and the BEM was transferred to the Iowa Economic Development Authority, a discretely presented component unit of the State of Iowa. The $5.7 million net effect of the two disposals is reported as special items – disposal of operations in the governmental activities. Additional information about the FY2013 special items is presented in NOTE 22 of the financial statements.

Charges for services for governmental activities decreased $30.9 million in the education function. As discussed in the paragraph above, ICSAC is no longer responsible for the collection of the loans under the FFELP program.

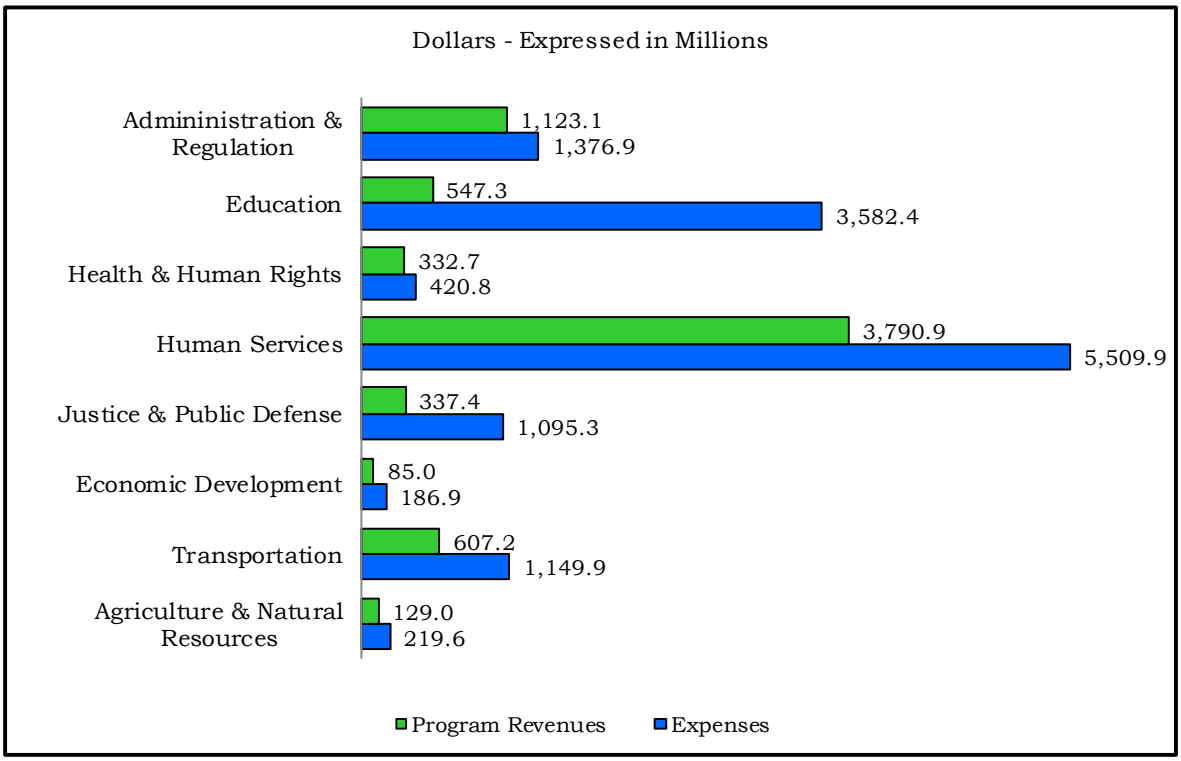
Revenues by Source



Expenses by Function



Program Revenues and Expenses



The cost of all governmental activities this fiscal year was $13,641.0 million. However, the amount that taxpayers paid for these activities through State taxes was $7,891.2 million. Part of the cost was paid by:

- Those who directly benefited from the programs ($1,907.2 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions ($5,045.4 million).

Business-type Activities

- University Funds had $3,958.3 million in expenses and $3,491.2 million in program revenues for net expenses of $467.1 million. The largest changes in revenues and expenses occurred in charges for services revenue and personal service expense, which increased $97.3 million or 3.8% and $72.3 million or 3.1%, respectively, which is in part related to record enrollment at Iowa State University. Other significant changes include an increase of $16.7 million or 22.1% in investment income, due to favorable market performance, and an increase in operating transfers of $48.5 million due to an increase in state aid to the universities. Assets increased $666.7 million to $7,902.7 million. This was due to an increase in capital assets of $288.8 million related to construction and an increase in cash and investments of $388.9 million. Liabilities increased $390.0 million, due partly to an increase of $241.5 million in bonds payable and a $71.6 million increase in the funds held in custody.
- The Unemployment Benefits Fund had $554.9 million in expenses and $662.5 million in program revenues for an overall net increase in operating income of $107.6 million. Although the State's unemployment rate remained relatively constant, the number of claims related to new layoffs decreased which contributed to a $163.7 million or 22.8% decrease in unemployment benefits paid. Revenue from the federal government decreased by $159.3 million as benefits were exhausted and federal stimulus programs ended. Employer contributions decreased by $100.4 million or 15.6%, as a result of lower contribution rates triggered by the fund balance of the prior fiscal year.
- In total, business-type activities had net expenses of $269.8 million with $165.9 million in net general revenues and $500.2 million in net transfers, for a net increase of $396.4 million, to end with a net position of $5,986.4 million.

- Other business-type activities expenses increased $10.3 million and program revenues increased $11.9 million. The Liquor Control Fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced a $14.1 million increase in sales revenue and a $9.8 million increase in expenses.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The governmental funds reported total fund balances of $3,255.0 million, an increase of 13.2% from the previous year. Net revenues totaled $14,932.5 million with expenditures of $14,029.2 million.

With the implementation of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, beginning with the fiscal year ended June 30, 2011, the fund balance classifications for governmental funds are reported in categories which describe the extent to which certain resources may be spent. Resources are categorized as spendable or nonspendable.

Nonspendable fund balance includes inventory, prepaid items, noncurrent receivables and the principal of endowments. These resources cannot be spent because they are either not in spendable form or are legally required to remain intact. When the proceeds from noncurrent receivables are restricted, committed or assigned, the fund balances for those amounts will be reported in the appropriate spendable fund balance classification.

Spendable fund balance includes resources that are in spendable form (e.g. cash) and are available for spending. Spendable fund balance is further classified as restricted, committed, assigned or unassigned. The following describes the different levels of constraint, if any, on spendable fund balance classifications for the total governmental funds:

- *Restricted* - $1,588.6 million and $1,730.3 million for FY2013 and FY2012, respectively, includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers (e.g. creditors, grantors and contributors) or enabling legislation.
- *Committed* - $2,174.3 million and $1,759.0 million for FY2013 and FY2012, respectively, includes amounts that can be used only for the specific purposes determined by a formal action of the State's highest level of decision-making authority. The Iowa Legislature and Governor represent the State's highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation.
- *Assigned* – includes amounts intended to be used by the State for a specific purpose but do not meet the criteria to be classified as restricted or committed. Currently, the State does not have a policy which authorizes the establishment of assigned fund balances.
- *Unassigned* – negative $567.4 million and negative $672.5 million for FY2013 and FY2012, respectively, includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

  The State's modified accrual revenue recognition policy for governmental fund level statements recognizes revenues if received within sixty days of year-end and deferred if received past sixty days. This creates a negative impact when the payables/expenditures related to the deferred revenues are recognized in the statements. A portion of the negative unassigned fund balance is due to deferral of federal receivables/revenues while associated payables/expenditures have been recognized. The largest portion of the negative unassigned fund balance relates to the Tobacco Collections Fund deficit. (See NOTE 21 - DEFICIT FUND BALANCE)

General Fund

The General Fund is the chief operating fund of the State. Total fund balance increased from $2,626.0 million for fiscal year 2012 to $3,050.2 million for fiscal year 2013. The fiscal year 2013 General Fund consists of the following fund balances: $43.1 million nonspendable, an increase of 4.2%, $1,017.9 million restricted, a decrease of 4.2%, $2,146.0 committed, an increase of 23.9%, and negative $156.8 million unassigned, an increase of 25.6%. For fiscal year 2013, the committed fund balance includes $613.8 million in reserve (rainy day) funds, an increase of 1.6%.

Gross revenues of the General Fund increased $325.6 million in fiscal year 2013. As discussed in the governmental activities section, tax revenues increased $470.6 million primarily in personal income tax and sales and use taxes, and receipts from other entities decreased $195.6 million as a result of the Mental Health Redesign for county billings for Medicaid expenditures. In addition, fees, licenses & permits increased $43.8

million due to increased new and used car sales and a change to truck registration fees, from a flat $65 fee to a fee calculated on weight and value.

Total expenditures of the General Fund decreased $49.6 million in fiscal year 2013. Capital outlays decreased $83.1 million due primarily to the reduction of spending of ARRA related revenues in the Department of Transportation. In addition, debt service principal payments decreased $22.2 million as the State had a current refunding in fiscal year 2012 with the defeasance of the School Infrastructure Series 2002 bonds which were reported as principal expenditures in accordance with GASB standards. Expenditures also increased $49.4 million in the Department of Human Services related to the addition of a new software project in fiscal year 2013 and two software projects with a full year of activity in fiscal year 2013.

Tobacco Settlement Authority

The Tobacco Settlement Authority (Authority), a blended component unit of the State of Iowa classified as a Special Revenue Fund, receives money from the Tobacco Collections Fund to pay operating expenditures and for repayment of debt. The Authority's ending fund balance decreased $51.0 million to $494.5 million. The decrease was due to receipt of funds from the Tobacco Collections Fund which reduced the interfund advance (receivable). These funds were primarily used to pay principal and interest on bonds totaling $9.8 million and $42.3 million, respectively.

Tobacco Collections Fund

The Tobacco Collections Fund, a Special Revenue Fund, accounts for the tobacco settlement moneys received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The ending fund balance in the Tobacco Collections Fund increased $51.2 million to a deficit balance of $410.6 million. The increase is due to the reduction of the interfund advance (liability) for the tobacco settlement moneys remitted to the Tobacco Settlement Authority during the year.

Nonmajor Governmental Funds

As discussed in the Governmental Activities section, in FY2013, the State of Iowa disposed of the Federal Family Education Loan Program (FFELP), transferring the FFELP to the Great Lakes Higher Education Guaranty Corporation. As a result, a $23.8 million special item – loss on disposal of operations was recognized in the Federal Student Loan Reserve Fund, a Nonmajor Special Revenue Fund, in accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Additional information about the FY2013 special item is presented in NOTE 22 of the financial statements.

Proprietary Funds

The State of Iowa's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the University Funds increased $276.7 million to $4,861.0 million while unrestricted net position increased $82.0 million to $1,766.5 million.

The total net position of the Unemployment Benefits Fund, which is entirely restricted for unemployment benefits, increased $118.0 million to end fiscal year 2013 at $1,041.6 million.

Operating results for the Iowa Communications Network improved slightly with a $0.5 million or 1.5% increase in operating revenues and a $1.4 million or 3.4% decrease in operating expenses.

Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the State of Iowa's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the State revised the budget several times. These budget amendments fall into two categories:

- Supplemental appropriations - $204,111,193
- Adjustments to standing appropriations - $390,144

The originally enacted General Fund budget for fiscal year 2013 of $6,227.1 million was predicated on $6,251.6 million or 4.2% growth in General Fund revenues, as projected by the State's Revenue Estimating Conference (REC) on December 15, 2011. The December estimate reflected the expectation that revenues would continue to increase from an estimated 1.7% growth for fiscal year 2012.

At the March 23, 2012 meeting, the REC revised its fiscal year 2013 General Fund revenue estimate upward to $6,280.6 million or an estimated growth of 3.8% reflecting an increase in state economic growth. At the October 11, 2012 meeting, the REC revised its fiscal year 2013 General Fund revenue estimate upward to $6,482.5 million or 2.7% growth. This was based upon the revised base of fiscal year 2012 of 7.0% growth. On December 12, 2012, the REC increased the revenue estimate to $6,517.1 million. The increase from the October 2012 meeting reflected that year-to-date revenues were growing faster than expected. An additional revision was made at the March 22, 2013 meeting to increase the General Fund revenue estimate to $6,637.0 million, again acknowledging that year-to-date revenues were growing faster than expected.

During 2013 the General Assembly approved supplemental appropriations of $336.0 million. The largest supplemental appropriation was to the Department of Human Services for $61.0 million for the Medical Assistance program with another $1.0 million for adoption subsidies. $57.1 million was appropriated to the Department of Education to be used in fiscal year 2014 for school foundation aid. The General Assembly passed HF 648, which provided for $216.9 million for supplemental appropriations of which $110.2 million was appropriated for retirement systems and $106.7 million for miscellaneous agency appropriations. Governor Branstad item vetoed the funding for the retirement systems stating any shortfalls of the systems should not be borne on by the taxpayers of the State and that a comprehensive, long-term, and sustainable plan is necessary for these systems. He also item vetoed $21.7 million of miscellaneous agency appropriations, leaving $85.0 million of various appropriations to state agencies.

The State of Iowa has various statutory standing appropriations where a fixed amount is not appropriated. These are either formula-driven (as in the case of the largest General Fund appropriation, for school foundation aid to local school districts), or for items such as paying claims against the State through the State Appeal Board. These are either increases or decreases to the estimates made at the beginning of the year. For fiscal year 2013, these standing appropriations exceeded the original estimates by $0.4 million. A variety of other appropriations made up the changes to standing appropriations.

During April, May and June of 2013, and throughout the accrual period, actual General Fund revenue collections continued to come in above the official REC projections. At the close of the fiscal year 2013, revenue collections totaled $6,768.8 million which is a 7.3% growth over fiscal year 2012. As a result, the General Fund budgetary ending balance for fiscal year 2013, statutorily required to be transferred to the Cash Reserve Fund in fiscal year 2014, totaled $927.7 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the State had $12,184.1 million invested in capital assets, net of accumulated depreciation of $10,009.8 million. Depreciation charges totaled $758.7 million in 2013. The details of these assets are presented in Table 4. Additional information about the State's capital assets is presented in NOTE 6 of the financial statements.

Table 4

Capital Assets, Net of Depreciation

(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2013	2012	2013	Restated 2012	2013	Restated 2012	2012-2013
Land	$ 757.8	$ 727.7	$ 85.3	$ 75.2	$ 843.1	$ 802.9	5.0%
Buildings & improvements	826.2	798.1	2,473.7	2,417.2	3,299.9	3,215.3	2.6%
Equipment	183.7	177.7	357.4	355.4	541.1	533.1	1.5%
Land improvements	36.6	35.8	36.5	35.5	73.1	71.3	2.5%
Works of art & collections	1.2	1.2	369.3	356.0	370.5	357.2	3.7%
Computer software	12.7	13.9	53.0	53.2	65.7	67.1	-2.1%
Infrastructure	5,735.2	5,558.9	360.4	340.9	6,095.6	5,899.8	3.3%
Other intangibles	-	-	2.0	2.5	2.0	2.5	-20.0%
Construction in progress	263.5	234.4	533.7	353.8	797.2	588.2	35.5%
Computer software in progress	80.0	25.5	15.9	7.9	95.9	33.4	187.1%
Total	$ 7,896.9	$ 7,573.2	$ 4,287.2	$ 3,997.6	$ 12,184.1	$ 11,570.8	5.3%

Outstanding commitments for future capital expenditures as of June 30, 2013 include $446.5 million for highway and bridge construction, $458.3 million for various projects at the three State universities, $55.9 million for State facilities and buildings and $14.1 million for State parks, recreational areas, fisheries and wetland projects.

Long-term Debt

At year-end, the State had $3,701.2 million in bonds and leases and other financing arrangements outstanding as shown in Table 5. More detailed information about the State's long-term liabilities is presented in NOTE 7 to the financial statements.

Table 5

State of Iowa's Outstanding Debt

(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2013	2012	2013	Restated 2012	2013	Restated 2012	2012-2013
Revenue bonds	$ 1,833.3	$ 1,881.7	$ 1,791.4	$ 1,549.9	$ 3,624.7	$ 3,431.6	5.6%
Leases & other financing arrangements	2.0	5.0	74.5	50.1	76.5	55.1	38.8%
Total	$ 1,835.3	$ 1,886.7	$ 1,865.9	$ 1,600.0	$ 3,701.2	$ 3,486.7	6.2%

Revenue bonds issued by the State and its various authorities totaled $5,062.6 million outstanding at fiscal year-end. This amount consisted of $1,437.9 million of component unit (proprietary) revenue bonds (Iowa Finance Authority and Iowa State University Foundation), $1,791.4 million in revenue bonds issued by the three State universities (for equipment and facilities), $747.9 million in revenue bonds issued by the Tobacco Settlement Authority, $32.1 million in revenue bonds issued by the Honey Creek Authority, $16.9 million in revenue bonds issued by the Iowa Finance Authority for the Department of Corrections, $11.5 million in revenue bonds issued by the State of Iowa for the Iowa Utilities Board, $756.8 million in revenue bonds issued by the State of Iowa for the IJOBS program, $142.9 million in revenue bonds issued by the State of Iowa for Prison Infrastructure and $125.2 million in revenue bonds issued by the State of Iowa for the Vision Iowa Program and the School Infrastructure Loan Program. These bonds are backed by the revenues of the issuing program or authority.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Iowa enjoyed improved fiscal health in fiscal year 2013 with the second half of the fiscal year showing a strong growth in revenue collections. Iowa's 7.3% growth in General Fund revenues continued an increase started in fiscal year 2011, after a two year decline in General Fund revenue growth in fiscal years 2009 and 2010, with fiscal year 2010 the largest decline in recent history. This has been the trend nationally as well, with revenue collections for all states increasing 11.0% in the second quarter of calendar year 2013, according to the Nelson A. Rockefeller Institute of Government.

The Governor and General Assembly finished their work on May 23, 2013, on the 130th day of the originally anticipated 110 day first session of the 85th General Assembly, finalizing the General Fund budget for fiscal year 2014 and part of fiscal year 2015. Amounts available for appropriation in fiscal year 2014 based on the 99% budget limitation after Governor's vetoes; in the General Fund budget were $6,968.3 million. General Fund appropriations totaled $6,489.9 million.

At the REC meeting in October 2013, the fiscal year 2014 revenue estimate was increased from a revised $6,662.9 million to $6,695.3 million, largely as a reflection of actual revenue collections in fiscal year 2013, law changes passed during the 2013 Legislative Session which moved a total of $178.0 million of revenue out of the General Fund and into other funds, current year to date revenue growth, and the anticipated continued growth of tax revenues that is reflective of the slow rebound in the national economy and higher growth in Iowa's economy. The revised estimate reflects projected revenue growth of -1.1% compared to actual revenues for the previous fiscal year.

Recent revenue performance has been strongly positive, which is reflective of the continued growth in the agriculture economy in spite of drought conditions statewide for the second summer in a row. Iowa's unemployment rate was at 4.9% in August 2013, down from the rate for August 2012 of 5.3% and lower than the

national rate of 7.3% for October 2013, showing Iowa has been able to withstand the national trends, with Iowa's labor market holding its own in spite of the slow growth nationally.

The national economy has been on a slow, unsteady growth pattern the past few years. Most of the discussion has been around the federal shutdown which occurred during October 2013, and the increasing of the U.S. Treasury debt ceiling. With a compromise putting decisions on the federal budget and additional increases to the debt ceiling off until January 2014, uncertainty still exists in the national economy. Moody's Analytics states that this brinkmanship in Washington is impeding risk-taking and growth. Financial institutions are cautious about lending and households are more restrained in spending. However, Moody's does expect housing to rebound by spring, followed by the broader economy, with fixed mortgage rates already fallen back closer to 4 percent and mortgage standards appear to be slowly easing. In the latest forecast, Moody's expects the jobless rate to fall to 7.2 percent by the end of calendar year 2013 and to 6.7 percent by the end of calendar year 2014. Gross domestic product is estimated to grow to 2.1 percent by the end of calendar year 2013 and to increase to 4.6 percent by the end of calendar year 2014.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, legislators, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Iowa Department of Administrative Services
State Accounting Enterprise
Hoover State Office Building
Des Moines, IA 50319

BASIC FINANCIAL STATEMENTS

STATE OF IOWA

Statement of Net Position

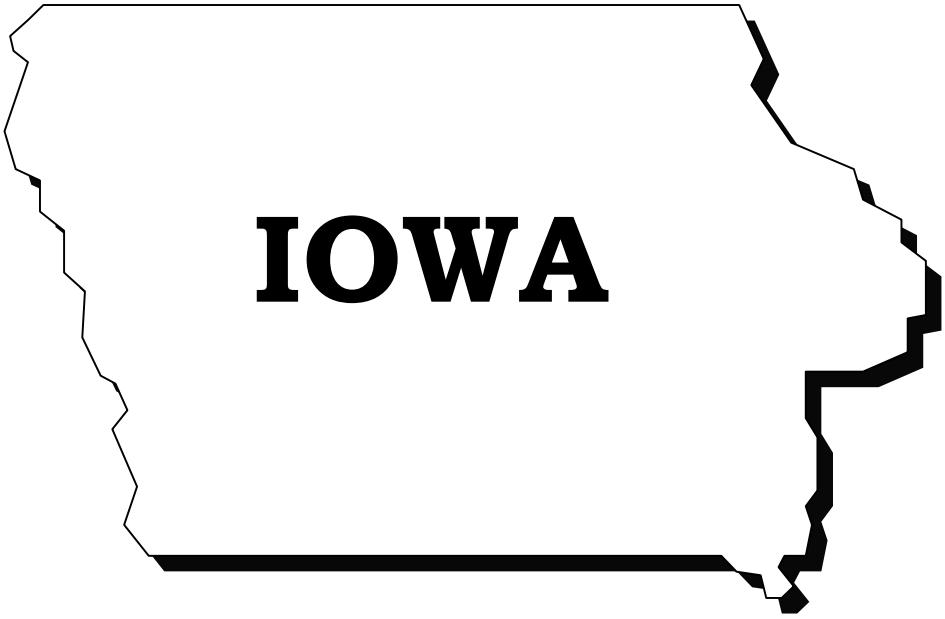
June 30, 2013
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current assets:				
Cash & investments	$ 3,170,523	$ 3,027,315	$ 6,197,838	$ 1,468,348
Cash & investments - restricted	-	228,472	228,472	5,703
Deposits with trustees	6,849	20,443	27,292	-
Accounts receivable (net)	1,624,358	667,743	2,292,101	95,626
Interest receivable	-	2,157	2,157	6,688
Loans receivable (net)	4,754	7,234	11,988	77,768
Internal balances	40,318	(40,318)	-	-
Inventory	23,468	63,875	87,343	2,994
Prepaid expenses	29,515	49,398	78,913	1,324
Deferred charges	593	-	593	-
Other assets	-	105	105	4,547
Total current assets	4,900,378	4,026,424	8,926,802	1,662,998
Noncurrent assets:				
Cash & investments	-	658,416	658,416	1,208,652
Cash & investments - restricted	78,750	-	78,750	529,007
Accounts receivable (net)	98,500	10,927	109,427	148,535
Interest receivable	-	448	448	-
Loans receivable (net)	13,010	65,367	78,377	1,450,620
Capital assets - nondepreciable	1,101,299	959,982	2,061,281	11,682
Capital assets - depreciable (net)	6,795,630	3,327,259	10,122,889	89,700
Prepaid expenses	-	465	465	-
Deferred charges	8,625	-	8,625	-
Other assets	-	65,768	65,768	51,559
Total noncurrent assets	8,095,814	5,088,632	13,184,446	3,489,755
TOTAL ASSETS	**12,996,192**	**9,115,056**	**22,111,248**	**5,152,753**
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	-	14,870

The notes are an integral part of the financial statements.

(continued on next page)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	1,314,653	413,714	1,728,367	87,965
Interest payable	9,358	27,376	36,734	23,032
Unearned revenue	42,872	136,286	179,158	443
Compensated absences	145,273	117,117	262,390	2,297
Capital leases	137	2,266	2,403	670
Bonds payable	167,482	80,014	247,496	40,159
Other financing arrangements payable	234	2,511	2,745	-
Funds held in custody	-	304,195	304,195	94,239
Total current liabilities	1,680,009	1,083,479	2,763,488	248,805
Noncurrent liabilities:				
Accounts payable & accruals	264,124	136,008	400,132	127,138
Unearned revenue	-	1,391	1,391	-
Compensated absences	184,754	76,733	261,487	3,644
Capital leases	69	37,057	37,126	3,760
Bonds payable	1,665,765	1,711,415	3,377,180	1,397,742
Other financing arrangements payable	1,600	32,684	34,284	-
Funds held in custody	-	49,827	49,827	11,115
Total noncurrent liabilities	2,116,312	2,045,115	4,161,427	1,543,399
TOTAL LIABILITIES	**3,796,321**	**3,128,594**	**6,924,915**	**1,792,204**
NET POSITION				
Net investment in capital assets	7,579,657	2,700,020	10,279,677	93,585
Restricted for:				
Education	70,734	-	70,734	-
Justice & public defense	31,713	-	31,713	-
Human services	7,780	-	7,780	-
Transportation	816,125	-	816,125	-
Agriculture & natural resources	10,842	-	10,842	-
Capital projects	13,688	-	13,688	-
University Funds - expendable	-	336,335	336,335	-
University Funds - nonexpendable	-	138,373	138,373	-
Permanent Funds - nonexpendable	16,079	-	16,079	-
Unemployment Benefits Fund	-	1,041,621	1,041,621	-
Other	118,047	-	118,047	2,985,380
Unrestricted	535,206	1,770,113	2,305,319	296,454
TOTAL NET POSITION	**$ 9,199,871**	**$ 5,986,462**	**$ 15,186,333**	**$ 3,375,419**


IOWA

STATE OF IOWA

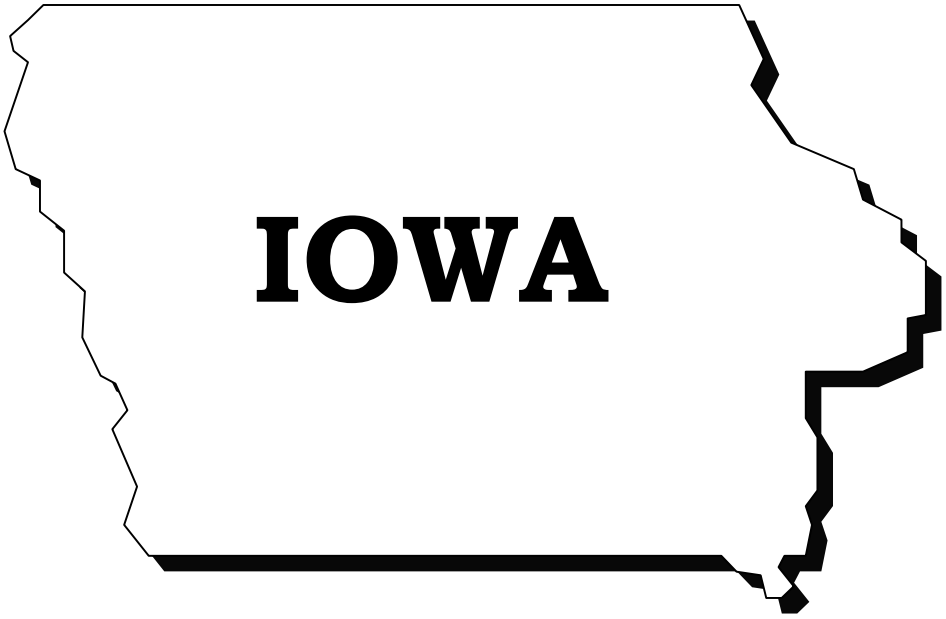
Statement of Activities

For the Year Ended June 30, 2013

(Expressed in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS & CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS & CONTRIBUTIONS	NET (EXPENSES) REVENUES & CHANGES IN NET POSITION: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNITS
PRIMARY GOVERNMENT:								
Governmental activities:								
Administration & regulation	$ 1,376,913	$ 1,099,289	$ 23,827	$ -	$ (253,797)	$	$ (253,797)	
Education	3,582,418	21,787	525,373	164	(3,035,094)		(3,035,094)	
Health & human rights	420,844	68,865	260,095	3,721	(88,163)		(88,163)	
Human services	5,509,926	438,915	3,351,953	-	(1,719,058)		(1,719,058)	
Justice & public defense	1,095,300	89,888	247,478	46	(757,888)		(757,888)	
Economic development	186,948	3,864	81,154	-	(101,930)		(101,930)	
Transportation	1,149,919	106,081	86,276	414,875	(542,687)		(542,687)	
Agriculture & natural resources	219,568	78,476	42,980	7,544	(90,568)		(90,568)	
Interest expense	99,311	-	-	-	(99,311)		(99,311)	
Total governmental activities	**13,641,147**	**1,907,165**	**4,619,136**	**426,350**	**(6,688,496)**		**(6,688,496)**	
Business-type activities:								
University Funds	3,958,296	2,687,569	745,883	57,705		(467,139)	(467,139)	
Unemployment Benefits Fund	554,883	543,535	118,935	-		107,587	107,587	
Other	257,011	342,596	-	4,243		89,828	89,828	
Total business-type activities	**4,770,190**	**3,573,700**	**864,818**	**61,948**		**(269,724)**	**(269,724)**	
TOTAL PRIMARY GOVERNMENT	**$ 18,411,337**	**$ 5,480,865**	**$ 5,483,954**	**$ 488,298**	**(6,688,496)**	**(269,724)**	**(6,958,220)**	
COMPONENT UNITS:								
Iowa Finance Authority	$ 131,660	$ 19,162	$ 85,429	$ -				$ (27,069)
Iowa Economic Development Authority	223,259	1,241	217,291	-				(4,727)
Iowa Agricultural Development Authority	451	384	-	-				(67)
Iowa State Fair Authority	22,006	20,580	1,550	1,225				1,349
Iowa Lottery Authority	338,290	339,268	-	-				978
University of Iowa Foundation	108,253	-	89,665	-				(18,588)
Iowa State University Foundation	83,024	-	96,981	-				13,957
University of Northern Iowa Foundation	11,053	-	36,547	-				25,494
University of Iowa Research Foundation	5,966	2,522	-	-				(3,444)
University of Iowa Health System & Subsidiaries	21,916	7,385	14,039	-				(492)
TOTAL COMPONENT UNITS	**$ 945,878**	**$ 390,542**	**$ 541,502**	**$ 1,225**				**(12,609)**
GENERAL REVENUES:								
Personal income tax					3,446,857	-	3,446,857	-
Corporate income tax					428,991	-	428,991	-
Sales & use tax					2,509,817	-	2,509,817	-
Other tax					759,681	7,463	767,144	-
Motor fuel tax restricted for transportation purposes					438,009	-	438,009	-
Road use tax restricted for transportation purposes					307,821	-	307,821	-
Unrestricted investment earnings					6,240	109,987	116,227	166,273
Other					29,746	50,950	80,696	21,235
Gain on sale of assets					871	78	949	-
Special items - disposal/transfer of operations					5,728	-	5,728	730
Extraordinary items - impairment of assets & other					-	(2,580)	(2,580)	-
Transfers					(500,210)	500,210	-	-
TOTAL GENERAL REVENUES, SPECIAL & EXTRAORDINARY ITEMS & TRANSFERS					**7,433,551**	**666,108**	**8,099,659**	**188,238**
CHANGE IN NET POSITION					**745,055**	**396,384**	**1,141,439**	**175,629**
NET POSITION - JULY 1, RESTATED					**8,454,816**	**5,590,078**	**14,044,894**	**3,199,790**
NET POSITION - JUNE 30					**$ 9,199,871**	**$ 5,986,462**	**$ 15,186,333**	**$ 3,375,419**

The notes are an integral part of the financial statements.


IOWA

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

General Fund - This is the State's operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

Tobacco Settlement Authority - The Tobacco Settlement Authority, a blended component unit of the State of Iowa, receives money from the Tobacco Collections Fund to pay for operating expenditures and repayment of debt.

Tobacco Collections Fund - The Tobacco Collections Fund accounts for tobacco settlement monies received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The funds are then distributed to the Tobacco Settlement Authority and the Endowment for Iowa's Health Fund pursuant to the terms of a Sales Agreement (dated October 1, 2001, and amended November 1, 2005) between the State and the Tobacco Settlement Authority. Per Code of Iowa Section 12E.12.1.b(3)(b), the State's portion is then transferred to the Rebuild Iowa Infrastructure Fund.

Nonmajor Governmental Funds are presented, by fund type, in the Supplementary Information section.

STATE OF IOWA

Balance Sheet
Governmental Funds

June 30, 2013
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Current assets:					
Cash & investments	$ 3,019,840	$ 83,882	$ -	$ 91,561	$ 3,195,283
Deposits with trustees	4,393	-	-	2,456	6,849
Accounts receivable (net)	1,572,844	200	32,718	17,301	1,623,063
Loans receivable (net)	4,182	-	-	572	4,754
Due from other funds	14,612	179,215	-	4,622	198,449
Inventory	15,652	-	-	124	15,776
Prepaid expenditures	27,486	-	-	173	27,659
Total current assets	4,659,009	263,297	32,718	116,809	5,071,833
Noncurrent assets:					
Accounts receivable (net)	77,778	-	-	20,722	98,500
Loans receivable (net)	11,112	-	-	1,898	13,010
Due from other funds/ advances to other funds	-	231,389	-	25,930	257,319
Total noncurrent assets	88,890	231,389	-	48,550	368,829
TOTAL ASSETS	**$ 4,747,899**	**$ 494,686**	**$ 32,718**	**$ 165,359**	**$ 5,440,662**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	$ 1,232,452	$ 26	$ -	$ 8,472	$ 1,240,950
Due to other funds/ advances from other funds	69,309	159	179,206	6,963	255,637
Deferred revenue	314,672	-	32,718	8,399	355,789
Total current liabilities	1,616,433	185	211,924	23,834	1,852,376
Noncurrent liabilities:					
Accounts payable & accruals	383	-	-	-	383
Due to other funds/ advances from other funds	-	-	231,389	-	231,389
Deferred revenue	80,838	-	-	20,626	101,464
Total noncurrent liabilities	81,221	-	231,389	20,626	333,236
TOTAL LIABILITIES	**1,697,654**	**185**	**443,313**	**44,460**	**2,185,612**
FUND BALANCES					
Nonspendable	43,138	-	-	16,376	59,514
Spendable:					
Restricted	1,017,927	494,501	-	76,201	1,588,629
Committed	2,145,980	-	-	28,346	2,174,326
Unassigned	(156,800)	-	(410,595)	(24)	(567,419)
TOTAL FUND BALANCES	**3,050,245**	**494,501**	**(410,595)**	**120,899**	**3,255,050**
TOTAL LIABILITIES & FUND BALANCES	**$ 4,747,899**	**$ 494,686**	**$ 32,718**	**$ 165,359**	**$ 5,440,662**

The notes are an integral part of the financial statements.

STATE OF IOWA

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

June 30, 2013
(Expressed in Thousands)

Total fund balances - governmental funds		**$ 3,255,050**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets, excluding internal service funds, is $14,149,231 and the accumulated depreciation is $(6,352,231).		7,797,000
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		142,534
Certain revenues are earned but not available and, therefore, are deferred in governmental funds.		433,922
Deferred issue costs are reported as current expenditures in governmental funds. However, deferred issue costs are amortized over the life of the bonds and are included as deferred charges in the governmental activities in the Statement of Net Position.		9,217
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bonds payable	$ (1,833,247)	
Accrued interest payable	(9,358)	
Compensated absences	(323,924)	
Capital leases	(206)	
Other financing arrangements payable	(1,834)	
Pollution remediation	(34,712)	
Early retirement/termination benefits	(66,164)	
Risk management	(20,000)	
Net pension liability	(62,990)	
Other postemployment benefits	(84,264)	
Other long-term liabilities	(1,153)	
Total long-term liabilities		(2,437,852)
Net position of governmental activities		**$ 9,199,871**

The notes are an integral part of the financial statements.

STATE OF IOWA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 8,456,345	$ -	$ -	$ -	$ 8,456,345
Receipts from other entities	5,378,462	-	-	22,040	5,400,502
Investment income	1,588	2,632	-	2,024	6,244
Fees, licenses & permits	1,231,785	-	-	37,095	1,268,880
Refunds & reimbursements	448,836	-	65,633	12,987	527,456
Sales, rents & services	29,067	-	-	3,572	32,639
Miscellaneous	134,704	-	-	15,331	150,035
GROSS REVENUES	**15,680,787**	**2,632**	**65,633**	**93,049**	**15,842,101**
Less revenue refunds	907,214	-	-	2,417	909,631
NET REVENUES	**14,773,573**	**2,632**	**65,633**	**90,632**	**14,932,470**
EXPENDITURES					
Current:					
Administration & regulation	1,350,606	1,477	-	12,525	1,364,608
Education	3,541,952	-	-	33,234	3,575,186
Health & human rights	414,546	-	-	435	414,981
Human services	5,540,803	-	-	109	5,540,912
Justice & public defense	1,034,932	-	-	980	1,035,912
Economic development	184,877	-	-	-	184,877
Transportation	551,879	-	-	349	552,228
Agriculture & natural resources	188,993	-	-	11,446	200,439
Capital outlay	959,993	-	-	52,039	1,012,032
Debt service:					
Principal	32,270	9,835	-	7,710	49,815
Interest & fiscal charges	53,168	42,347	-	2,727	98,242
TOTAL EXPENDITURES	**13,854,019**	**53,659**	**-**	**121,554**	**14,029,232**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**919,554**	**(51,027)**	**65,633**	**(30,922)**	**903,238**
OTHER FINANCING SOURCES (USES)					
Transfers in	153,458	-	-	61,833	215,291
Transfers out	(648,010)	-	(14,439)	(50,841)	(713,290)
Leases, installment purchases & other	9	-	-	-	9
TOTAL OTHER FINANCING SOURCES (USES)	**(494,543)**	**-**	**(14,439)**	**10,992**	**(497,990)**
SPECIAL ITEMS - DISPOSAL OF OPERATIONS	**(787)**	**-**	**-**	**(23,817)**	**(24,604)**
NET CHANGE IN FUND BALANCES	**424,224**	**(51,027)**	**51,194**	**(43,747)**	**380,644**
FUND BALANCES - JULY 1	**2,626,021**	**545,528**	**(461,789)**	**164,646**	**2,874,406**
FUND BALANCES - JUNE 30	**$ 3,050,245**	**$ 494,501**	**$ (410,595)**	**$ 120,899**	**$ 3,255,050**

The notes are an integral part of the financial statements.

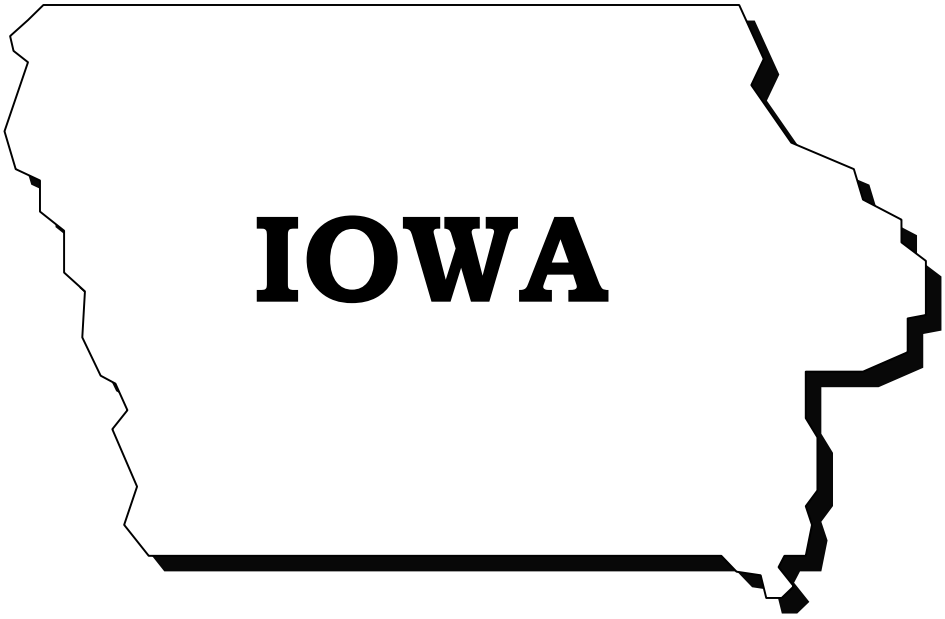
STATE OF IOWA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2013
(Expressed in Thousands)

Net change in fund balances - total governmental funds		**$ 380,644**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 803,049	
Depreciation expense	(478,146)	
Excess of capital outlay over depreciation expense		324,903
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas the proceeds from the sale increase financial resources in governmental funds.		(4,342)
Some capital additions were financed through capital leases, other financing arrangements and installment purchases. In governmental funds, these financing arrangements are considered a source of funding, but in the Statement of Net Position, the obligations are reported as liabilities. In the current year, these amounts consist of:		
Capital leases		(9)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Bond principal retirement	49,815	
Capital lease payments	2,057	
Other financing arrangements payments	307	
Total long-term debt repayments		52,179
Internal service funds are used by management to charge the cost of certain activities to individual funds. A portion of the net revenue of the internal service funds is reported with governmental activities.		5,507
Because some revenues will not be collected for several months after the State's fiscal year-end, they are not considered available revenues and are deferred in the governmental funds.		(20,656)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:		
Compensated absences	(8,712)	
Early retirement/termination benefits	31,348	
Pension liability	(7,329)	
Other postemployment benefits	(10,166)	
Other	1,688	
Total additional expenditures		6,829
Change in net position of governmental activities		**$ 745,055**

The notes are an integral part of the financial statements.


IOWA

PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

University Funds are maintained to account for the operations of the State's public institutions of higher education. The State University of Iowa, Iowa State University and the University of Northern Iowa comprise this group.

Unemployment Benefits Fund receives federal funds and contributions from employers to provide benefits to eligible unemployed workers.

Nonmajor Proprietary Funds are presented by fund in the Supplementary Information section.

STATE OF IOWA

Statement of Net Position
Proprietary Funds

June 30, 2013
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash & investments	$ 2,111,536	$ 883,266	$ 29,742	$ 3,024,544	$ 56,760
Cash & investments - restricted	228,472	-	-	228,472	-
Deposits with trustees	20,443	-	-	20,443	-
Accounts receivable (net)	427,422	217,852	22,469	667,743	1,295
Interest receivable	2,147	-	10	2,157	-
Loans receivable (net)	7,234	-	-	7,234	-
Due from other funds/advances to other funds	-	563	45	608	76,389
Inventory	48,470	-	15,405	63,875	7,692
Prepaid expenses	48,884	-	502	49,386	1,869
Other assets	105	-	-	105	-
Total current assets	2,894,713	1,101,681	68,173	4,064,567	144,005
Noncurrent assets:					
Cash & investments	658,416	-	-	658,416	-
Accounts receivable	10,927	-	-	10,927	-
Interest receivable	448	-	-	448	-
Loans receivable (net)	65,367	-	-	65,367	-
Due from other funds/advances to other funds	-	-	-	-	445
Capital assets - nondepreciable	957,554	-	2,428	959,982	-
Capital assets - depreciable (net)	3,249,381	-	77,878	3,327,259	99,929
Prepaid expenses	87	-	378	465	-
Other assets	65,768	-	-	65,768	-
Total noncurrent assets	5,007,948	-	80,684	5,088,632	100,374
TOTAL ASSETS	**7,902,661**	**1,101,681**	**148,857**	**9,153,199**	**244,379**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	376,134	19,598	16,699	412,431	25,290
Due to other funds/advances from other funds	-	392	7,042	7,434	12,375
Interest payable	27,376	-	-	27,376	-
Unearned revenue	92,408	40,070	3,808	136,286	19,539
Compensated absences	115,302	-	1,815	117,117	2,861
Capital leases	2,266	-	-	2,266	-
Bonds payable	80,014	-	-	80,014	-
Other financing arrangements payable	2,511	-	-	2,511	-
Funds held in custody	304,195	-	-	304,195	-
Total current liabilities	1,000,206	60,060	29,364	1,089,630	60,065
Noncurrent liabilities:					
Accounts payable & accruals	134,516	-	1,492	136,008	44,155
Due to other funds/advances from other funds	-	-	25,930	25,930	445
Unearned revenue	1,391	-	-	1,391	-
Compensated absences	74,597	-	2,136	76,733	3,242
Capital leases	37,057	-	-	37,057	-
Bonds payable	1,711,415	-	-	1,711,415	-
Other financing arrangements payable	32,684	-	-	32,684	-
Funds held in custody	49,827	-	-	49,827	-
Total noncurrent liabilities	2,041,487	-	29,558	2,071,045	47,842
TOTAL LIABILITIES	**3,041,693**	**60,060**	**58,922**	**3,160,675**	**107,907**
NET POSITION					
Net investment in capital assets	2,619,714	-	80,306	2,700,020	99,929
Restricted for:					
Expendable	336,335	-	-	336,335	-
Nonexpendable	138,373	-	-	138,373	-
Unemployment benefits	-	1,041,621	-	1,041,621	-
Unrestricted	1,766,546	-	9,629	1,776,175	36,543
TOTAL NET POSITION	**$ 4,860,968**	**$ 1,041,621**	**$ 89,935**	5,992,524	**$ 136,472**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(6,062)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES				**$ 5,986,462**	

The notes are an integral part of the financial statements.

STATE OF IOWA

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Employer contributions	$ -	$ 543,535	$ -	$ 543,535	$ -
Receipts from other entities	119	118,935	-	119,054	138,208
Fees, licenses & permits	2,071,224	-	19,364	2,090,588	3
Refunds & reimbursements	-	-	858	858	58,064
Sales, rents & services	344,403	-	319,639	664,042	1,729
Grants & contracts	603,131	-	-	603,131	-
Independent/auxiliary operations	271,942	-	-	271,942	-
Miscellaneous	50,763	-	2,735	53,498	5,008
TOTAL OPERATING REVENUES	**3,341,582**	**662,470**	**342,596**	**4,346,648**	**203,012**
OPERATING EXPENSES					
General & administrative	-	-	12,674	12,674	-
Scholarship & fellowship	34,433	-	-	34,433	-
Depreciation	257,011	-	9,090	266,101	14,424
Direct & other	-	-	28,985	28,985	-
Personal services	2,412,882	-	8,887	2,421,769	31,849
Travel & subsistence	36,933	-	727	37,660	24,769
Supplies & materials	504,028	-	453	504,481	40,560
Contractual services	111,246	-	12,531	123,777	33,551
Equipment & repairs	507,765	-	738	508,503	25,050
Claims & miscellaneous	19,663	-	178,441	198,104	27,927
Licenses, permits & refunds	2,762	-	757	3,519	8
State aid & credits	-	554,883	3,656	558,539	-
TOTAL OPERATING EXPENSES	**3,886,723**	**554,883**	**256,939**	**4,698,545**	**198,138**
OPERATING INCOME (LOSS)	**(545,141)**	**107,587**	**85,657**	**(351,897)**	**4,874**
NONOPERATING REVENUES (EXPENSES)					
Gifts	142,753	-	-	142,753	-
Taxes	-	-	7,463	7,463	-
Investment income	92,287	17,646	36	109,969	14
Interest expense	(58,694)	-	-	(58,694)	-
Miscellaneous revenues	68	-	-	68	-
Miscellaneous expenses	(2,936)	-	-	(2,936)	-
Gain (loss) on sale of capital assets	(9,129)	-	78	(9,051)	(249)
NET NONOPERATING REVENUES (EXPENSES)	**164,349**	**17,646**	**7,577**	**189,572**	**(235)**
INCOME (LOSS) BEFORE CONTRIBUTIONS, EXTRAORDINARY ITEM & TRANSFERS	**(380,792)**	**125,233**	**93,234**	**(162,325)**	**4,639**
Capital contributions & grants	57,704	-	6,454	64,158	-
Extraordinary item - impairment of assets & other	(2,580)	-	-	(2,580)	-
Transfers in	602,320	-	3,176	605,496	-
Transfers out	-	(7,232)	(100,265)	(107,497)	-
CHANGE IN NET POSITION	**276,652**	**118,001**	**2,599**	**397,252**	**4,639**
TOTAL NET POSITION - JULY 1, RESTATED	**4,584,316**	**923,620**	**87,336**		**131,833**
TOTAL NET POSITION - JUNE 30	**$ 4,860,968**	**$ 1,041,621**	**$ 89,935**		**$ 136,472**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(868)	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES				**$ 396,384**	

The notes are an integral part of the financial statements.

STATE OF IOWA

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/students	$ 2,667,649	$ -	$ 341,061	$ 3,008,710	$ -
Cash received from miscellaneous	91,705	-	3,149	94,854	-
Cash received from employers	-	587,380	-	587,380	-
Cash received from other entities	620,215	118,935	-	739,150	14,433
Cash received from reciprocal interfund activity	-	2,858	-	2,858	180,263
Cash payments to suppliers for goods & services	(1,250,443)	-	(233,220)	(1,483,663)	(146,114)
Cash payments to employees/students for services	(2,347,399)	-	(17,569)	(2,364,968)	(31,285)
Cash payments for unemployment claims	-	(559,877)	-	(559,877)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(218,273)**	**149,296**	**93,421**	**24,444**	**17,297**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	548,408	-	3,176	551,584	-
Transfers out to other funds	-	(7,087)	(95,467)	(102,554)	-
Receipts from related agencies	1,011,319	-	-	1,011,319	-
Payments to related agencies	(994,863)	-	-	(994,863)	-
Other noncapital financing receipts	2,559	-	-	2,559	-
Other noncapital financing payments	(3,336)	-	-	(3,336)	-
Proceeds from noncapital gifts	142,473	-	-	142,473	-
Tax receipts	-	-	7,463	7,463	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**706,560**	**(7,087)**	**(84,828)**	**614,645**	**-**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(524,653)	-	(9,915)	(534,568)	(17,843)
Interest payments	(59,557)	-	-	(59,557)	-
Debt payments	(107,210)	-	-	(107,210)	-
Capital grants & contributions	62,107	-	6,454	68,561	-
Debt proceeds	397,406	-	-	397,406	-
Proceeds from sale of capital assets	1,563	-	78	1,641	-
Other capital & related financing activities	50,278	-	-	50,278	-
NET CASH USED BY CAPITAL & RELATED FINANCING ACTIVITIES	**(180,066)**	**-**	**(3,383)**	**(183,449)**	**(17,843)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest & dividends on investments	58,318	17,646	45	76,009	14
Proceeds from sale & maturities of investments	1,001,972	-	-	1,001,972	-
Purchase of investments	(1,282,793)	-	-	(1,282,793)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(222,503)**	**17,646**	**45**	**(204,812)**	**14**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**85,718**	**159,855**	**5,255**	**250,828**	**(532)**
CASH & CASH EQUIVALENTS - JULY 1	**894,187**	**723,411**	**24,487**	**1,642,085**	**57,292**
CASH & CASH EQUIVALENTS - JUNE 30	**979,905**	**883,266**	**29,742**	**1,892,913**	**56,760**
INVESTMENTS	**2,018,519**	**-**	**-**	**2,018,519**	**-**
CASH & INVESTMENTS PER STATEMENT OF NET POSITION	**$ 2,998,424**	**$ 883,266**	**$ 29,742**	**$ 3,911,432**	**$ 56,760**

(continued on next page)

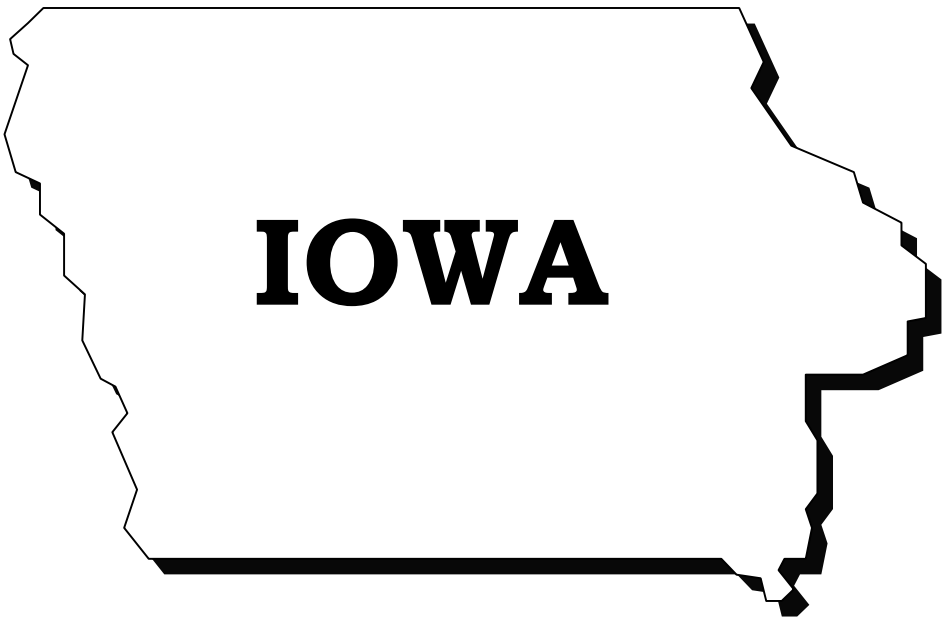
STATE OF IOWA

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)
(continued)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (545,141)	$ 107,587	$ 85,657	$ (351,897)	$ 4,874
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	257,011	-	9,090	266,101	14,424
(Increase) decrease in accounts receivable	21,893	30,797	1,458	54,148	(208)
(Increase) decrease in due from	(147)	2,858	(28)	2,683	(8,934)
(Increase) decrease in inventory	5,730	-	(1,258)	4,472	989
(Increase) decrease in prepaid expenses	(4,065)	-	246	(3,819)	773
(Increase) decrease in loans receivable	760	-	-	760	-
(Increase) decrease in other assets	(13,547)	-	-	(13,547)	-
Increase (decrease) in accounts payable	44,138	(537)	(1,498)	42,103	4,619
Increase (decrease) in due to	-	-	(592)	(592)	773
Increase (decrease) in unearned revenue	8,126	8,591	184	16,901	53
Increase (decrease) in compensated absences	6,853	-	162	7,015	564
Increase (decrease) in other liability/capital leases	116	-	-	116	(630)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (218,273)**	**$ 149,296**	**$ 93,421**	**$ 24,444**	**$ 17,297**
NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES					
Capital assets acquired through capital leases	$ 21,313	$ -	$ -	$ 21,313	$ -
Capital assets contributed	775	-	-	775	-
TOTAL NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES	**$ 22,088**	**$ -**	**$ -**	**$ 22,088**	**$ -**

The notes are an integral part of the financial statements.


IOWA

FIDUCIARY FUND FINANCIAL STATEMENTS

Fiduciary Funds are presented by fund in the Supplementary Information section.

STATE OF IOWA

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash & cash equivalents	$ 396,540	$ 23,871	$ 233,224
Receivables:			
Accounts (net)	-	639	196,906
Contributions	69,427	-	-
Investments sold	700,468	-	-
Foreign exchange contracts	1,559,890	-	-
Interest & dividends	69,784	-	-
Total receivables	2,399,569	639	196,906
Investments, at fair value:			
Fixed income securities	8,051,579	-	-
Equity investments	10,795,960	3,504,935	-
Real estate partnerships	1,989,460	-	-
Investment in private equity/debt	2,860,369	-	-
Real assets	1,412,915		
Securities lending collateral pool	469,139	-	-
Securities on loan with brokers	10,609	-	-
Total investments	25,590,031	3,504,935	-
Capital assets:			
Land	500	-	-
Other - depreciable (net)	25,566	61	-
Total capital assets	26,066	61	-
Other assets	91	26	-
TOTAL ASSETS	**28,412,297**	**3,529,532**	**430,130**
LIABILITIES			
Accounts payable & accruals	1,590,942	169	430,130
Payable for investments purchased	1,002,287	-	-
Payable to brokers for rebate & collateral	478,422	-	-
TOTAL LIABILITIES	**3,071,651**	**169**	**430,130**
NET POSITION			
Held in trust for:			
Pension/other postemployment benefits	25,340,646	-	-
Other purposes	-	3,529,363	-
TOTAL NET POSITION	**$ 25,340,646**	**$ 3,529,363**	**$ -**

The notes are an integral part of the financial statements.

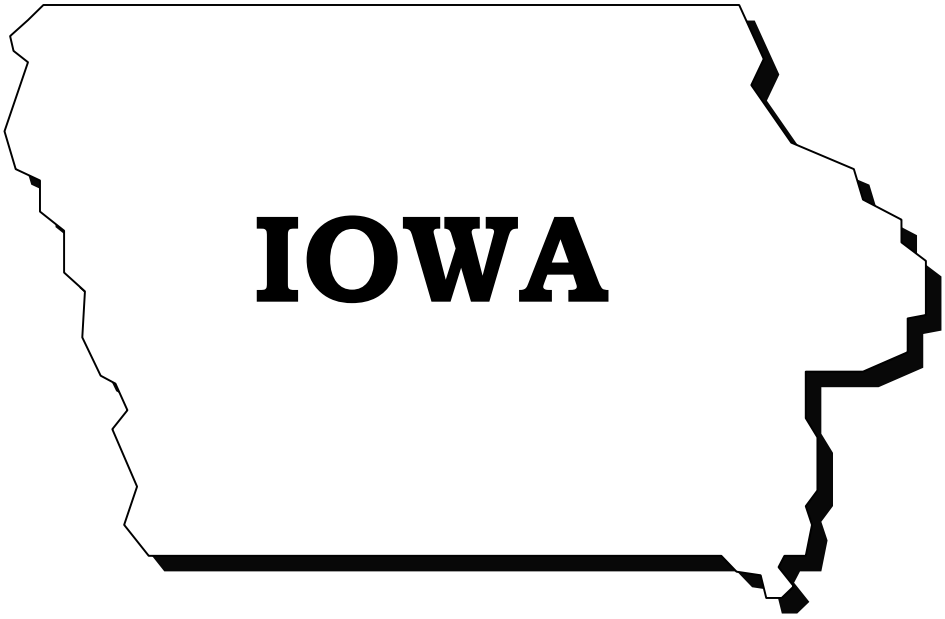
STATE OF IOWA

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
Member/participant contributions	$ 412,107	$ 353,222
Employer contributions	622,272	-
Buy-back/buy-in contributions	12,011	-
Other contributions	-	3,531
Gifts, bequests & endowments	-	2,668
Total contributions	1,046,390	359,421
Investment income:		
Net increase in fair value of investments	1,897,732	346,699
Interest	261,404	137
Dividends	126,072	-
Other	167,842	-
Total investment income	2,453,050	346,836
Less investment expense	52,571	-
Net investment income	2,400,479	346,836
TOTAL ADDITIONS	**3,446,869**	**706,257**
DEDUCTIONS		
Pension & annuity benefits	1,701,561	-
Distributions to participants	-	225,994
Payments in accordance with agreements	1,142	-
Administrative expense	12,262	-
Refunds	42,598	-
Other	-	1,723
TOTAL DEDUCTIONS	**1,757,563**	**227,717**
CHANGE IN NET POSITION	**1,689,306**	**478,540**
NET POSITION - JULY 1	**23,651,340**	**3,050,823**
NET POSITION - JUNE 30	**$ 25,340,646**	**$ 3,529,363**

The notes are an integral part of the financial statements.


IOWA

COMPONENT UNIT FINANCIAL STATEMENTS

Iowa Finance Authority issues bonds to assist in attainment of adequate housing for special needs individuals such as the low to moderate income and the disabled and to provide limited types of financing to small businesses.

Iowa Economic Development Authority undertakes programs to promote economic development including financing programs and the issuance of bonds.

Iowa Agricultural Development Authority undertakes programs which assist beginning farmers in purchasing land, improvements and property for agricultural purposes and provides financing for agricultural and soil conservation development and other various agricultural development programs.

Iowa State Fair Authority conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds.

Iowa Lottery Authority is used to account for lottery revenues, administrative and operating expenses of the Lottery Authority and the distribution of revenue to the General Fund.

The University of Iowa Foundation, Iowa State University Foundation and University of Northern Iowa Foundation act primarily as fund-raising organizations to supplement the resources available to the State universities.

University of Iowa Research Foundation commercializes University of Iowa developed technologies and inventions through licensing and new venture formation.

University of Iowa Health System & Subsidiaries supports clinical, academic, and research programs of the University of Iowa College of Medicine and the University of Iowa Hospitals and Clinics.

STATE OF IOWA
Statement of Net Position
Component Units
June 30, 2013
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA AGRICULTURAL DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA FOUNDATION
ASSETS						
Current assets:						
Cash & investments	$ 531,656	$ 173,480	$ 547	$ 16,923	$ 24,841	$ 508,078
Cash & investments - restricted	-	-	-	-	339	-
Accounts receivable	-	24,151	-	1,551	5,057	41,453
Interest receivable	6,581	-	35	49	10	-
Loans receivable (net)	73,124	4,478	166	-	-	-
Inventory	-	-	-	234	2,266	-
Prepaid expenses	-	97	-	-	61	434
Other	2,981	-	20	-	1,426	-
Total current assets	614,342	202,206	768	18,757	34,000	549,965
Noncurrent assets:						
Cash & investments	589,668	-	203	-	-	-
Cash & investments - restricted	-	-	3,218	-	-	525,789
Accounts receivable	-	-	-	938	-	63,573
Loans receivable (net)	1,380,109	67,099	1,836	-	-	-
Capital assets - nondepreciable	716	-	-	9,212	392	402
Capital assets - depreciable (net)	2,304	76	8	61,080	3,316	19,348
Other	35,594	-	-	-	9,874	-
Total noncurrent assets	2,008,391	67,175	5,265	71,230	13,582	609,112
TOTAL ASSETS	**2,622,733**	**269,381**	**6,033**	**89,987**	**47,582**	**1,159,077**
DEFERRED OUTFLOWS OF RESOURCES						
Accumulated decrease in fair value of hedging derivatives	**14,870**	**-**	**-**	**-**	**-**	**-**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	26,224	27,283	46	647	28,823	1,646
Interest payable	23,032	-	-	-	-	-
Unearned revenue	-	-	27	77	257	-
Compensated absences	-	742	12	332	732	-
Capital leases	-	-	-	-	-	670
Bonds payable	40,056	-	-	-	-	-
Funds held in custody	-	-	-	-	-	89,034
Total current liabilities	89,312	28,025	85	1,056	29,812	91,350
Noncurrent liabilities:						
Accounts payable & accruals	63,428	304	8	-	10,165	28,123
Compensated absences	-	1,267	3	1,053	1,321	-
Capital leases	-	-	-	-	-	3,760
Bonds payable	1,395,265	-	-	-	-	-
Funds held in custody	-	-	-	-	-	-
Total noncurrent liabilities	1,458,693	1,571	11	1,053	11,486	31,883
TOTAL LIABILITIES	**1,548,005**	**29,596**	**96**	**2,109**	**41,298**	**123,233**
NET POSITION						
Net investment in capital assets	3,020	76	8	70,292	3,708	15,320
Restricted for:						
Bond resolutions	857,392	-	-	-	-	-
Clean water and drinking program	139,404	-	-	-	-	-
Title guaranty program	75,368	-	-	-	-	-
Economic development	-	50,700	-	-	-	-
Other purposes	-	-	5,251	3,805	-	-
Nonexpendable - foundations	-	-	-	-	-	525,789
Expendable - foundations	-	-	-	-	-	486,934
Unrestricted	14,414	189,009	678	13,781	2,576	7,801
TOTAL NET POSITION	**$ 1,089,598**	**$ 239,785**	**$ 5,937**	**$ 87,878**	**$ 6,284**	**$ 1,035,844**

The notes are an integral part of the financial statements.

(continued on next page)

STATE OF IOWA
Statement of Net Position
Component Units
June 30, 2013
(Expressed in Thousands)
(continued)

	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	UNIVERSITY OF IOWA RESEARCH FOUNDATION	UNIVERSITY OF IOWA HEALTH SYSTEM & SUBSIDIARIES	TOTAL COMPONENT UNITS
ASSETS					
Current assets:					
Cash & investments	$ 158,724	$ 16,000	$ 23,265	$ 14,834	$ 1,468,348
Cash & investments - restricted	-	-	-	5,364	5,703
Accounts receivable	17,836	3,020	551	2,007	95,626
Interest receivable	-	-	13	-	6,688
Loans receivable (net)	-	-	-	-	77,768
Inventory	-	-	-	494	2,994
Prepaid expenses	-	-	79	653	1,324
Other	-	120	-	-	4,547
Total current assets	176,560	19,140	23,908	23,352	1,662,998
Noncurrent assets:					
Cash & investments	530,060	88,721	-	-	1,208,652
Cash & investments - restricted	-	-	-	-	529,007
Accounts receivable	71,863	11,899	262	-	148,535
Loans receivable (net)	1,576	-	-	-	1,450,620
Capital assets - nondepreciable	960	-	-	-	11,682
Capital assets - depreciable (net)	2,494	786	14	274	89,700
Other	4,414	1,503	174	-	51,559
Total noncurrent assets	611,367	102,909	450	274	3,489,755
TOTAL ASSETS	**787,927**	**122,049**	**24,358**	**23,626**	**5,152,753**
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	-	-	-	-	**14,870**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	418	845	789	1,244	87,965
Interest payable	-	-	-	-	23,032
Unearned revenue	-	-	82	-	443
Compensated absences	479	-	-	-	2,297
Capital leases	-	-	-	-	670
Bonds payable	103	-	-	-	40,159
Funds held in custody	5,205	-	-	-	94,239
Total current liabilities	6,205	845	871	1,244	248,805
Noncurrent liabilities:					
Accounts payable & accruals	22,422	2,683	5	-	127,138
Compensated absences	-	-	-	-	3,644
Capital leases	-	-	-	-	3,760
Bonds payable	2,477	-	-	-	1,397,742
Funds held in custody	5,751	-	-	5,364	11,115
Total noncurrent liabilities	30,650	2,683	5	5,364	1,543,399
TOTAL LIABILITIES	**36,855**	**3,528**	**876**	**6,608**	**1,792,204**
NET POSITION					
Net investment in capital assets	873	-	14	274	93,585
Restricted for:					
Bond resolutions	-	-	-	-	857,392
Clean water and drinking program	-	-	-	-	139,404
Title guaranty program	-	-	-	-	75,368
Economic development	-	-	-	-	50,700
Other purposes	-	-	-	-	9,056
Nonexpendable - foundations	519,819	78,481	-	-	1,124,089
Expendable - foundations	208,611	33,826	-	-	729,371
Unrestricted	21,769	6,214	23,468	16,744	296,454
TOTAL NET POSITION	**$ 751,072**	**$ 118,521**	**$ 23,482**	**$ 17,018**	**$ 3,375,419**

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2013
(Expressed in Thousands)

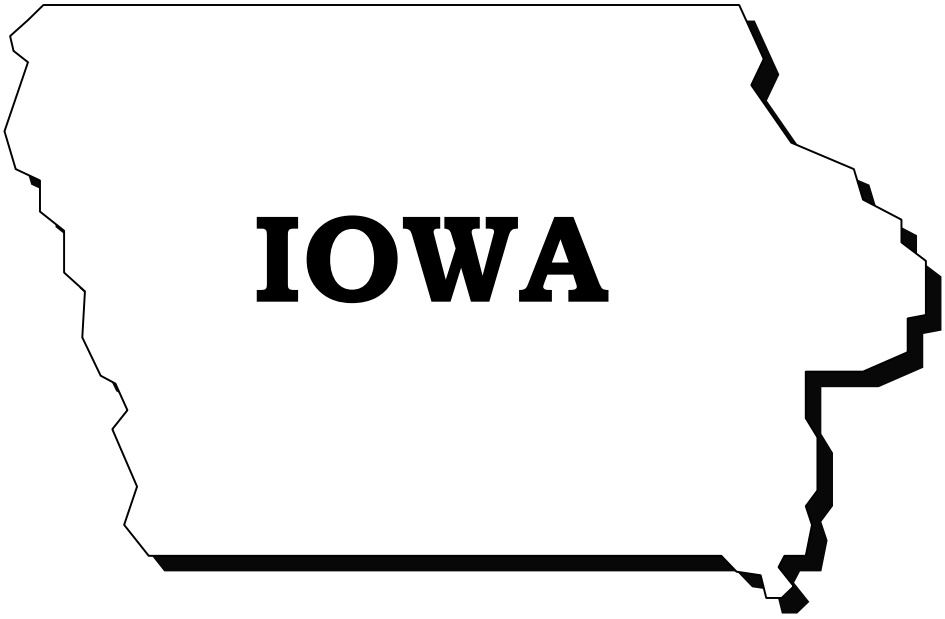
	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA AGRICULTURAL DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA FOUNDATION
Expenses	$ 131,660	$ 223,259	$ 451	$ 22,006	$ 338,290	$ 108,253
Program revenues:						
Charges for services	19,162	1,241	384	20,580	339,268	-
Operating grants & contributions	85,429	217,291	-	1,550	-	89,665
Capital grants & contributions	-	-	-	1,225	-	-
Total program revenues	104,591	218,532	384	23,355	339,268	89,665
Net program (expenses) revenues	(27,069)	(4,727)	(67)	1,349	978	(18,588)
General revenues:						
Investment income	48,120	152	15	99	110	82,428
Other	207	4,942	-	250	-	15,117
Total general revenues	48,327	5,094	15	349	110	97,545
Special items - transfer of operations	-	730	-	-	-	-
CHANGE IN NET POSITION	**21,258**	**1,097**	**(52)**	**1,698**	**1,088**	**78,957**
NET POSITION - JULY 1, RESTATED	**1,068,340**	**238,688**	**5,989**	**86,180**	**5,196**	**956,887**
NET POSITION - JUNE 30	**$ 1,089,598**	**$ 239,785**	**$ 5,937**	**$ 87,878**	**$ 6,284**	**$ 1,035,844**

The notes are an integral part of the financial statements.

(continued on next page)

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2013
(Expressed in Thousands)
(continued)

	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	UNIVERSITY OF IOWA RESEARCH FOUNDATION	UNIVERSITY OF IOWA HEALTH SYSTEM & SUBSIDIARIES	TOTAL COMPONENT UNITS
Expenses	$ 83,024	$ 11,053	$ 5,966	$ 21,916	$ 945,878
Program revenues:					
Charges for services	-	-	2,522	7,385	390,542
Operating grants & contributions	96,981	36,547	-	14,039	541,502
Capital grants & contributions	-	-	-	-	1,225
Total program revenues	96,981	36,547	2,522	21,424	933,269
Net program (expenses) revenues	13,957	25,494	(3,444)	(492)	(12,609)
General revenues:					
Investment income	34,797	-	483	69	166,273
Other	-	-	343	376	21,235
Total general revenues	34,797	-	826	445	187,508
Special items - transfer of operations	-	-	-	-	730
CHANGE IN NET POSITION	**48,754**	**25,494**	**(2,618)**	**(47)**	**175,629**
NET POSITION - JULY 1, RESTATED	**702,318**	**93,027**	**26,100**	**17,065**	**3,199,790**
NET POSITION - JUNE 30	**$ 751,072**	**$ 118,521**	**$ 23,482**	**$ 17,018**	**$ 3,375,419**


IOWA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the State of Iowa have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

For financial reporting purposes, the State of Iowa includes all funds, departments, agencies and universities of the State. The State has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State of Iowa (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. The individual component unit financial statements, except for the Iowa Economic Development Authority (single fund type) which does not issue separate financial statements, can be obtained by contacting: Iowa Department of Administrative Services, State Accounting Enterprise, 3rd Floor, Hoover State Office Bldg., Des Moines, IA 50319.

Blended Component Units

These component units are entities which are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State's primary government and are blended with the appropriate funds.

- Iowa Public Television Foundation (Special Revenue and Permanent Funds) serves as a funding medium for Iowa Public Television. It solicits and manages gifts of money or property for the exclusive purpose of granting gifts of money or property to Iowa Public Television. Iowa Public Television has sole discretion as to the use of the money or property. The State appoints a voting majority of the Foundation's board and has the ability to impose its will on the organization, as it can make personnel decisions regarding the management of the Foundation.
- Tobacco Settlement Authority (Special Revenue Fund) was created to issue bonds to securitize payments due to the State pursuant to the Master Settlement Agreement between the State and the five largest tobacco manufacturers. The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its sole purpose is to provide a secure and stable source of revenue from the tobacco settlement for the State.
- Honey Creek Premier Destination Park Authority (Special Revenue Fund), herein referred to as Honey Creek Authority, was created to issue bonds to provide financing for the development of the Honey Creek Park (Enterprise Fund). The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its purpose is to provide for and secure the issuance and repayment of its bonds.

Discretely Presented Component Units

These component units are entities which are legally separate from the State, but are financially accountable to the State, or its relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units include the financial data of these entities.

- Iowa Finance Authority (Proprietary) issues bonds to assist in attainment of adequate housing for special needs individuals such as low to moderate income and the disabled, and to provide limited types of financing to small businesses. The nine members of the board of directors are appointed by the Governor and confirmed by the Senate.
- Iowa Economic Development Authority (Proprietary) undertakes programs to enhance economic development and to provide certain finance programs. The eleven members of the board of directors are

appointed by the Governor and confirmed by the Senate. The State is able to impose its will on the Authority.

- Iowa Agricultural Development Authority (Proprietary) undertakes programs which assist beginning farmers in purchasing land, improvements and property for agricultural purposes and provides financing for agricultural and soil conservation development and other various agricultural development programs. The State appoints a voting majority of the board of directors and is able to impose its will on the Authority.
- Iowa State Fair Authority (Proprietary) conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds. The State must approve any bonds issued by the Authority. (October 31 year-end)
- Iowa Lottery Authority (Proprietary) was created to operate the State Lottery. The five members of the board of directors are appointed by the Governor and confirmed by the Senate. The State has the ability to impose its will on the Authority and its purpose is to produce the maximum amount of net revenues for the State in a dignified manner that maintains the general welfare of the people.

  During the year ended June 30, 2013, the Iowa Lottery Authority distributed $82.8 million to the State of Iowa General Fund and $2.1 million to the Veteran's Trust Fund.
- The University of Iowa Foundation, Iowa State University Foundation and University of Northern Iowa Foundation (Foundations) are legally separate, tax exempt entities. They act primarily as fund-raising organizations to supplement the resources available to the State Universities (Universities) in support of their programs. Although the State does not control the timing or amount of receipts from the Foundations, the majority of resources they hold and invest, and income thereon, are restricted to the activities of the Universities by the donors. Because the majority of these restricted resources can only be used by, or for the benefit of, the Universities, they are considered a component unit of the State and are discretely presented in the financial statements.

  During the year ended June 30, 2013, the Foundations distributed $159.7 million to the Universities for academic and institutional support.

  The Foundations are private, nonprofit organizations that report under FASB standards, including FASB Statement No. 117, (*Financial Reporting for Not-for-Profit Organizations*). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information; however, the Foundations' assets and liabilities and revenues and expenses were reformatted to correspond to the State's reporting format for the Statement of Net Position and Statement of Activities.
- University of Iowa Research Foundation (UIRF) (Proprietary) commercializes University of Iowa developed technologies and inventions through licensing and new venture formation and manages the subsequent revenue streams. The intention of the UIRF is to effectively manage intellectual property to successful outcomes including: transferring inventions to the marketplace for public benefit, generating significant income, operating as a self-sustaining operation, and supporting the research mission. Because the majority of these restricted resources can only be used by, or for the benefit of, the Universities, they are considered a component unit of the State and are discretely presented in the financial statements.
- University of Iowa Health System & Subsidiaries (Proprietary) was formed to support clinical, academic, and research programs of the University of Iowa College of Medicine and the University of Iowa Hospitals and Clinics. Because the majority of these restricted resources can only be used by, or for the benefit of, the Universities, they are considered a component unit of the State and are discretely presented in the financial statements.

Related Organizations

These related organizations are excluded from the reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organizations' board members. Financial statements are available from the respective organizations.

- Iowa Student Loan Liquidity Corporation
- Iowa Comprehensive Health Association
- Turkey Marketing Council

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The **Statement of Net Position** presents the State's non-fiduciary assets, liabilities and deferred outflows/inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- *Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

Governmental Fund Balance Reporting

The fund balance classifications for governmental funds are reported in categories which describe the extent to which certain resources may be spent. Resources are categorized as spendable or nonspendable.

Nonspendable fund balance includes inventory, prepaid items, noncurrent receivables and principal of endowments. These resources cannot be spent because they are either not in spendable form or are legally required to remain intact. When the proceeds from noncurrent receivables are restricted, committed or assigned, the fund balances for those amounts will be reported in the appropriate spendable fund balance classification.

Spendable fund balance includes resources that are in spendable form (e.g. cash) and are available for spending. Spendable fund balance is further classified as restricted, committed, assigned or unassigned. The following describes the different levels of constraint, if any, on spendable fund balance classifications:

Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers (e.g. creditors, grantors and contributors) or enabling legislation.

Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the State's highest level of decision-making authority. The Iowa Legislature and Governor represent the State's highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation.

Assigned – includes amounts intended to be used by the State for a specific purpose but do not meet the criteria to be classified as restricted or committed. Currently, the State does not have a policy which authorizes the establishment of assigned fund balances.

Unassigned – includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

When both restricted and unrestricted (committed, assigned, unassigned) resources are available for use, generally it is the State's policy to use restricted resources first. Also, when committed or unassigned resources are available to be spent for the same purpose, the State's policy is, in general, to spend committed resources first followed by unassigned resources.

D. Financial Statement Presentation

The State reports the following major governmental funds:

General Fund

The *General Fund* is the State's principal operating fund. It accounts for all financial resources except those accounted for in another fund.

Special Revenue Funds

Tobacco Settlement Authority – The Tobacco Settlement Authority, a blended component unit of the State of Iowa, receives money from the Tobacco Collections Fund to pay for operating expenses and repayment of debt.

Tobacco Collections Fund – The Tobacco Collections Fund accounts for tobacco settlement monies received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The funds are then distributed to the Tobacco Settlement Authority and the Endowment for Iowa's Health Fund pursuant to the terms of a Sales Agreement (dated October 1, 2001, and amended November 1, 2005) between the State and the Tobacco Settlement Authority. Per Code of Iowa Section 12E.12.1.b(3)(b), the State's portion is then transferred to the Rebuild Iowa Infrastructure Fund.

The State reports the following major proprietary funds:

Enterprise Funds

University Funds account for the operations of the State's public institutions of higher education. The State University of Iowa, Iowa State University and the University of Northern Iowa comprise this group.

The *Unemployment Benefits Fund* receives federal funds and contributions from employers to provide benefits to eligible unemployed workers.

In addition, the State reports the following fund types:

Governmental Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than permanent or capital projects) that are legally restricted to expenditures for a specified purpose.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds account for resources legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry.

Proprietary Funds

Enterprise Funds account for the activities for which fees are charged to external users for goods and services. This fund type is also used when the activity is financed with debt that is secured with fees and charges, as well as when the pricing policy of the activity is designated to recover its costs.

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the State, or to other governmental units, on a cost reimbursement basis. The activities accounted for in internal service funds include information technology, workers' compensation, fleet operations, printing and mail services and property management.

Fiduciary Funds

Pension and Other Employee Benefit Trust Funds account for resources that are required to be held for the members and beneficiaries of the State's defined benefit pension plans and other postemployment benefit plans. The pension plans included are the Iowa Public Employees' Retirement System (IPERS), Peace Officers' Retirement, Accident and Disability System (PORS) and the Judicial Retirement System (JRS).

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. Examples include Iowa Educational Savings Plan Trust, Veterans Affairs donations, Braille & Sight Saving School Fund and Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) Fund.

Agency Funds account for resources held by the State in a purely custodial capacity. These funds include tax collections, fines, fees and payroll deductions.

E. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Most revenues, including taxes, fees, charges for services, refunds and reimbursements and receipts from other entities, are considered by the State to be available if collected within 60 days of the end of the fiscal year. Investment earnings are recorded as earned since they are measurable and available.

Expenditures are recognized when the related fund liability is incurred. An exception to the general modified accrual expenditure recognition criteria is the principal and interest on general long-term debt which is recognized when due. Income tax refunds are accrued for claims related to tax periods ended by June 30th, of the fiscal year, and paid within 60 days.

Proprietary and fiduciary fund statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. *General revenues* include all taxes and investment income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In fiscal year 2013, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* – This Statement establishes guidance for accounting and financial reporting for service concession arrangements.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* – This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and the display of component units in the financial statements.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – This Statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private-sector.
- GASB Statement No. 63, *Financial Reporting of Deferred Inflows of Resources, Deferred Outflows of Resources and Net Position* – This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of net position and related disclosures.

Also, in fiscal year 2013, the State of Iowa early implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations and related disclosures.

F. Cash, Investments and Securities Lending

Cash in most funds is held in the State treasury and is commingled in State bank accounts and investments. The moneys of most funds are pooled together and invested as an investment pool by the Treasurer of State (Treasurer). However, moneys of some funds may be invested separately from the investment pool where permitted by statute.

Investment earnings of the investment pool are allocated to the individual funds as provided by statute. Income of $5,270,014 associated with certain funds has been assigned to other funds for fiscal year 2013.

The Treasurer's deposits in financial institutions throughout the year and at year-end were entirely covered by the Federal Deposit Insurance Corporation, collateral held by the Treasurer's custodial banks in the Treasurer's name or by the bank assessment provisions of Section 12C.23 of the Code of Iowa.

The Treasurer may invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit in Iowa financial institutions; prime bankers' acceptances, commercial paper or other short-term corporate debt; repurchase agreements; investments authorized for Iowa Public Employees' Retirement System in section 97B.7A; money market mutual funds organized in trust form; obligations of the Iowa Finance Authority issued pursuant to Chapter 16 of the Code of Iowa and other investments as permitted by Section 12B.10 of the Code of Iowa.

Investments are valued at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value is calculated at market price at the close of business on June 30 by independent pricing services utilized by the Treasurer's custodian bank. However, certain cash equivalent investments, such as commercial paper, bankers' acceptances, certificates of deposit, guaranteed investment contracts and discount notes issued by government agencies, are valued using purchase price. IPERS has derivatives that are reported on the Statement of Fiduciary Net Position at fair value. (See NOTE 15 – PENSION PLANS.)

Certain State institutions participate in the Iowa Public Agency Investment Trust (IPAIT), a state and local government pooled investment account, created by Code of Iowa Chapter 28E. IPAIT is managed by Investors Management Group and is registered with the Securities and Exchange Commission. IPAIT follows established money market mutual fund parameters designed to maintain a $1 per unit net asset value.

Cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, investments readily convertible to known amounts of cash and investments so near their maturity they present insignificant risk of changes in value because of changes in interest rates. In the Statements of Cash Flows, investments with an original maturity of three months or less are considered cash equivalents.

IPERS, PORS and JRS (together the "Systems") participate in a securities lending program with the State's custodian bank. The participation of IPERS is authorized by the Code of Iowa and the participation of PORS and JRS is authorized by their Boards of Trustees. The custodian bank is responsible for operating the program and is permitted to lend any of the securities it holds in custody for the Systems to broker-dealers and other entities in exchange for collateral. The custodian bank is permitted to accept collateral in the form of cash in U.S. dollars, U.S. government securities or irrevocable letters of credit. The types of securities on loan included equity investments and fixed income securities.

A borrower is required to initially deliver collateral in an amount equal to 102% of the fair value of any U.S. securities lent and 105% of the fair value of any non-U.S. securities lent. Borrowers are required to provide additional collateral any time the value of the collateral drops below 100% of the value of the security lent plus accrued interest income. Securities received as collateral cannot be sold or pledged unless the borrower defaults.

At year-end, IPERS had $11.7 thousand credit risk exposure to borrowers because the amounts of collateral held on each loan exceeded 100% of the borrowed securities market value. Additional collateral was provided the next business day, eliminating this exposure. At year-end, PORS and JRS had no credit risk exposure to borrowers because the amounts the borrowers owed PORS and JRS did not exceed the amount owed them. The contracts with the custodian bank requires it to indemnify the Systems if a borrower fails to return the securities or fails to return all of the income attributable to securities on loan. The securities lending contracts do not allow the Systems to pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2013, the Systems had securities on loan, including accrued interest income, with a total value of $465.3 million against collateral with a total value of $478.4 million.

The majority of securities loans are open loans, i.e. one day maturity, where the rebate rate due the borrower is renegotiated daily. All securities loans can be terminated on demand by either the Systems or the borrower. Cash collateral received from borrowers is invested in a cash collateral investment pool which is managed by the custodian bank in accordance with investment guidelines established by the Systems. The investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. (See NOTE 2.)

The effective duration of the cash collateral pool at June 30, 2013, for IPERS was 0.00. Credit quality and years to maturity statistics for the cash collateral pool at June 30, 2013, for IPERS is as follows (expressed in thousands):

Securities Lending Collateral Pool

Investment Type	Fair Value	Credit Risk S&P Quality Rating	Investment Maturity (Years)
Overnight repurchase agreements	$ 458,259	Not rated	Less than 1

G. Accounts Receivable

Accounts receivable have been established and offset with proper provisions for estimated uncollectible accounts where applicable. Practically all receivables of governmental funds are due from other governmental entities, primarily the federal government, and are considered collectible. Receivables in other funds have arisen in the ordinary course of business.

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portion considered "available" is recorded as revenue; the remainder is recorded as deferred revenue.

H. Inventories

Inventories are valued at cost, which approximates market. The first-in/first-out (FIFO) cost flow method is used for the majority of inventories. Throughout the year, costs of inventories are recorded as expenditures when purchased. For financial reporting purposes, expenditures are adjusted at fiscal year-end for material inventory amounts to correlate with the consumption method. Inventory asset amounts are not available for budgetary appropriation as they have been charged to expenditures when purchased rather than when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items in both government-wide and fund financial statements. In governmental funds, prepaid items are accounted for using the consumption method and a portion of fund balance equal to the prepaid items has been classified as nonspendable to indicate it is not available for appropriation.

J. Capital Assets

Capital assets are reported in the government-wide financial statements and proprietary fund statements at historical cost. Donated capital assets are reported at their estimated fair market value at the time of acquisition. Capital assets utilized in governmental funds are reported as expenditures when purchased in the governmental fund financial statements. Interest incurred during the construction phase of capital assets of enterprise funds is

generally included as part of the capitalized value of the assets constructed. Infrastructure and intangible assets, as defined by the State's policy, acquired after June 30, 1980, are reported. Reportable capital assets are defined by the State as assets above the following thresholds:

Infrastructure	$ 1,000,000
Intangible assets	$ 500,000
Land, buildings and improvements	$ 50,000
Equipment	$ 5,000

Capital assets are depreciated over their useful lives using the straight-line depreciation method. The government-wide, proprietary fund and component unit financial statements report depreciation expense. The following useful lives are used:

Infrastructure	10-50 years
Buildings	20-50 years
Improvements other than buildings	20-50 years
Intangible assets	5-20 years
Equipment	2-20 years
Vehicles	3-10 years

Each University sets its own capitalization threshold and useful life policies. See individual university audit reports.

K. Compensated Absences

Employees' compensated absences are accrued when earned. Accrued vacation is paid at 100% of the employee's hourly rate upon retirement, death or termination. With certain exceptions, accrued sick leave is paid at 100% of the employee's hourly rate to a maximum of $2,000 upon retirement. Employees may elect to use a portion of accrued sick leave balances to pay the state share of group health insurance premiums upon retirement. The liability for accrued compensated absences as reported in the government-wide and proprietary fund financial statements is based on the current rates of pay.

L. Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond discounts and issuance costs for proprietary fund types are generally deferred and amortized over the terms of the bonds using the bonds-outstanding method or straight-line method, which approximates the effective interest method.

Long-term liabilities due within one year of the date of the statements are classified as current liabilities.

In governmental fund types, bond discount and issuance costs are recognized in the current period.

M. Interfund Activity and Balances

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

Interfund Balances

Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

N. Encumbrances

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services not received or rendered are recorded to reserve that portion of the applicable fund balance. Section 8.33, unnumbered paragraph 2, of the Code of Iowa, states, "No payment of an obligation for goods or services shall be charged to an appropriation subsequent to the last day of the fiscal year for which the appropriation is made unless the goods or services are received on or before the last day of the fiscal year, except that repair projects, purchase of specialized equipment and furnishings, and other contracts for services and capital expenditures for the purchase of land or the erection of buildings or new construction or remodeling, which were committed and in progress prior to the end of the fiscal year are excluded from this provision." That is, except for the above stated exceptions, the State must have received the goods or services on or before June 30, creating an actual liability, or the encumbrance is cancelled against that fiscal year. If the encumbrances are still valid after June 30, they become expenditures/expenses of the next fiscal year.

O. Stabilization Arrangements (Reserve Funds)

The State maintains two funds for emergency expenditures: the Iowa Economic Emergency Fund and the Cash Reserve Fund. The Iowa Economic Emergency Fund and the Cash Reserve Fund were created in Iowa Code Sections 8.55 and 8.56.

The maximum balance of the Iowa Economic Emergency Fund is the amount equal to 2.5 percent of the adjusted revenue estimate for the fiscal year. The moneys in this fund may only be appropriated by the General Assembly for emergency expenditures and only in the fiscal year for which the appropriation is made.

The maximum balance of the Cash Reserve Fund is equal to 7.5 percent of the adjusted revenue estimate for the General Fund of the State for the current fiscal year. Moneys in this fund may be used for cash flow purposes provided that any moneys so allocated are returned to the fund by the end of each fiscal year. The moneys in this fund may only be appropriated by the General Assembly for payment of nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. An appropriation shall not be made from this fund if the appropriation would cause the fund's balance to be less than 3.75 percent of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

The fund balances for the Iowa Economic Emergency Fund and the Cash Reserve Fund are included in the *committed* spendable fund balance classification.

P. Minimum Fund Balance Requirements

Currently, the State has six governmental funds which are required by statute, federal regulations or bonding requirements to maintain minimum fund balances. However, the State does not have a formally adopted policy regarding minimum fund balances.

Q. Budgeting and Budgetary Control

There are no material violations of finance-related legal and contractual provisions. Budgetary comparison schedules and related disclosures are reported as Required Supplementary Information (RSI).

NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING

A. Primary Government and Fiduciary Funds

Investments of the primary government and fiduciary funds at June 30, 2013, are scheduled as follows (expressed in thousands):

Primary Government		***Fiduciary Funds***	
Investment Type	Fair Value	Investment Type	Fair Value
Fixed:		Fixed:	
U.S. government treasuries, notes & bonds	$ 155,853	U.S. government treasuries, notes & bonds	$ 1,937,861
U.S. government agency	458,058	U.S. government agency	63,895
Government asset & mortgage-backed	2,942,751	Government asset & mortgage-backed	1,601,826
Corporate bonds	118,484	Corporate bonds	1,973,586
Corporate asset backed	18,913	Corporate asset backed	139,370
Private placements	20,656	Private placements	926,502
Guaranteed investment contracts	59,199	Commingled bond funds	1,926,806
Fixed income mutual funds	749,448	Other fixed income	1,072,218
Other fixed income	91,037	Total fixed	9,642,064
Commercial paper	4,603		
Total fixed	4,619,002		
Equity:		Equity:	
U.S. equity	234,097	U.S. equity	4,681,548
Private equity	24,194	Private equity	2,853,243
Real estate	12,529	Real estate	2,066,001
Non U.S. equity	138,026	Commingled & mutual funds	9,618,553
Money market funds	165,566	Investment pools	669
Pooled & mutual funds	601,475	Other	126,658
Repurchase agreements	156,611	Total equity	19,346,672
Investment pools	9,749		
Other	60,349	Total invested assets	$ 28,988,736
Total equity	1,402,596		
Total invested assets	$ 6,021,598		

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the State.

The Treasurer's investment policy requires that domestic commercial paper maturing within 270 days from the date of purchase have the highest rating of both Standard & Poor's and Moody's on the date of purchase. Investments in short-term corporate debt, other than commercial paper maturing within 270 days from the date of purchase, are limited to one of the two highest ratings of either Standard & Poor's or Moody's on the date of purchase, provided at the time of purchase no more than 5% of amounts invested in short-term corporate debt or commercial paper are rated in the second highest rating. Investments in obligations or guaranteed investment contracts of domestic corporations with maturities greater than 270 days from the date of purchase are limited to long-term ratings of not less than A2 by Moody's and not less than A by Standard & Poor's. Investments in asset-backed securities are limited to those rated AAA by Standard & Poor's or Aaa by Moody's.

The State Board of Regents establishes policy and sets objectives for the Universities' investments. Credit quality limitations for investments of operating funds are: the weighted average credit quality of each University's operating portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20% of each University's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield; commercial paper or other short-term corporate debt maturing within 270 days rated within the two highest

classifications, as established by at least one of the standard rating services, provided that at the time of purchase no more than 5% of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification; obligations of the Iowa Finance Authority (Authority) provided at the time of purchase the Authority has an issuer credit rating within the two highest classifications or the obligations to be purchased are rated within the two highest classifications, as established by at least one of the standard rating services; corporate debt with a maturity of greater than 270 days that is rated investment grade by Standard & Poor's or Moody's (at least BBB- or Baa3, respectively), or by another Nationally Recognized Statistical Rating Organization (NRSRO), including Rule 144A Securities deemed to be of investment grade credit quality by the external or internal investment manager, at the time of purchase.

Credit quality limitations for the Universities' endowment funds are: the weighted average credit quality of each University's endowment fixed income portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20% of each University's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield.

There are no policy limitations for credit risk exposures within the investment portfolios of the Systems. Each IPERS portfolio is managed in accordance with an investment contract that is specific as to permissible quality ranges and the average credit quality of the overall portfolios. Policies related to credit risk pertaining to IPERS', PORS' and JRS' securities lending program is found under the securities lending disclosures found in NOTE 1 F of these notes.

Investments in debt securities of the U.S. Government or obligations of U.S. Government agencies that are explicitly guaranteed by the U.S. Government are disclosed in the TSY and AGY columns of the credit risk schedules.

The State's exposure to credit risk for the fixed income investments of the primary government and fiduciary funds at June 30, 2013, is summarized by credit quality ratings, as follows (expressed in thousands):

Credit Risk - S & P Quality Ratings
Primary Government

Investment Type	TSY	AAA	AA	A	BBB
U.S. government treasuries, notes & bonds	$ 55,276	$ 75,643	$ 24,934	$ -	$ -
U.S. government agency	-	332,756	125,222	-	-
Government asset & mortgage-backed	-	5	2,932,748	-	-
Corporate bonds	-	11,347	16,486	57,851	7,054
Corporate asset backed	-	8,487	-	-	-
Private placements	-	6,279	10,169	1,959	-
Guaranteed investment contracts	-	-	-	59,199	-
Fixed income mutual funds	650	203,184	372,975	56,516	10,337
Other fixed income	-	609	820	6,359	-
Total	$ 55,926	$ 638,310	$ 3,483,354	$ 181,884	$ 17,391

(continued)

Credit Risk - S & P Quality Ratings
Primary Government
(continued)

Investment Type	BB	B	CC & Below	A1+P1	NR
U.S. government agency	$ -	$ -	$ -	$ -	$ 80
Government asset & mortgage-backed	-	-	-	-	9,998
Corporate bonds	-	-	-	19,247	6,499
Corporate asset backed	-	-	-	-	10,426
Private placements	-	-	-	-	2,249
Fixed income mutual funds	29,568	73,382	2,761	-	75
Other fixed income	-	-	-	-	83,249
Commercial paper	-	-	-	4,603	-
Total	$ 29,568	$ 73,382	$ 2,761	$ 23,850	$ 112,576

Credit Risk - S & P Quality Ratings
Fiduciary Funds

Investment Type	TSY	AGY	AAA	AA	A
U.S. government treasuries, notes & bonds	$ 1,937,861	$ -	$ -	$ -	$ -
U.S. government agency	-	29,317	2,692	11,161	1,598
Government asset & mortgage-backed	-	165,959	62,734	1,008,270	39,169
Corporate bonds	-	-	2,318	94,737	454,722
Corporate asset backed	-	-	33,014	29,341	6,758
Private placements	-	-	88,721	37,697	75,257
Commingled bond funds	1,116,586	59,911	547,867	36,074	83,749
Other fixed income	-	-	12,754	25,961	64,687
Total	$ 3,054,447	$ 255,187	$ 750,100	$ 1,243,241	$ 725,940

(continued)

Credit Risk - S & P Quality Ratings
Fiduciary Funds
(continued)

Investment Type	BBB	BB	B	CC & Below	NR
U.S. government agency	$ 1,260	$ 295	$ -	$ -	$ 17,572
Government asset & mortgage-backed	21,000	5,944	4,757	25,573	268,420
Corporate bonds	580,511	355,364	389,532	56,319	40,083
Corporate asset backed	9,970	1,872	19,401	19,633	19,381
Private placements	169,716	202,113	193,456	42,716	116,826
Commingled bond funds	82,218	-	-	-	401
Other fixed income	85,779	22,950	37,883	-	822,204
Total	$ 950,454	$ 588,538	$ 645,029	$ 144,241	$1,284,887

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

The Treasurer manages interest rate risk by utilizing a buy-and-hold strategy, maturity limitations and diversification parameters and liquidity requirements set by the Investment Committee.

Maturity Limitations: No investment shall be made in a U.S. Treasury note or bond with a maturity that exceeds ten years, a U.S. government agency note or bond or a U.S. government instrumentality note or bond with a maturity that exceeds 61 months at the time of purchase. (The 61-month maturity limitation for U.S. Treasury, government agency or instrumentality securities does not apply to such securities if accepted as collateral under a repurchase agreement.) No investment shall be made in an asset-backed security that has an expected average life greater than two years at the time of purchase, and a final maturity greater than three years at the time of purchase. The maturities of commercial paper and bankers' acceptances shall not exceed 270 days at the time of purchase. The maturities of all other investments shall not exceed 25 months at the time of purchase.

Maturity Diversification: The Investment Committee shall set permitted maximum dollar amounts that can be invested in specific maturity sectors that are consistent with the overall portfolio strategy and this investment policy.

Liquidity Reserve: The Investment Committee shall specify how much liquidity shall be reserved to ensure adequate cash is available to meet any unexpected expenditures that may occur. The liquidity reserve should be continuously invested in money market mutual funds or money market accounts with Iowa financial institutions or short-term money market accounts.

The Universities' policies for the operating portfolio prohibit investment in securities that at the time of purchase have effective maturities exceeding 63 months and that the maximum duration of each portfolio shall not exceed

the duration of the Merrill 1-3 Government/Corporate Index by more than 20%. There is no explicit limit on the average maturity of fixed income securities in the endowment portfolio.

IPERS manages interest rate risk within the portfolio using the effective duration or option-adjusted methodology. It is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of IPERS' fixed income portfolios are managed in accordance with investment contracts that require the effective duration of the portfolio shall always remain between 80% and 120% of the effective duration measure of the Index.

The State's exposure to interest rate risk for the fixed income investments of the primary government and the fiduciary funds at June 30, 2013, is summarized using the effective duration method, as follows (expressed in thousands):

Primary Government

Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	$ 155,853	3.83
U.S. government agency	458,058	2.12
Government asset & mortgage-backed	2,942,751	0.90
Corporate bonds	118,484	1.04
Corporate asset backed	18,913	0.49
Private placements	20,656	0.20
Guaranteed investment contracts	59,199	4.00
Fixed income mutual funds	749,448	6.84
Other fixed income	91,037	0.11
Commercial paper	4,603	0.41
Total	$ 4,619,002	2.11

Fiduciary Funds

Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	$ 1,937,861	6.71
U.S. government agency	63,895	2.37
Government asset & mortgage-backed	1,601,826	3.45
Corporate bonds	1,973,586	5.60
Corporate asset backed	139,370	0.56
Private placements	926,502	4.85
Commingled bond funds	1,926,806	6.24
Other fixed income	1,072,218	2.15
Total	$ 9,642,064	5.04

Foreign Currency Risk

Foreign currency risk is the risk changes in exchange rates will adversely impact the fair value of an investment. IPERS allows its investment managers the discretion to hedge their foreign currency exposures. PORS' external managers may or may not hedge the portfolios' foreign currency exposures with forward foreign exchange contracts, currency options, currency futures or options on currency futures depending upon their views on a specific foreign currency relative to the U.S. dollar. IPERS generally does not allow its investment managers to enter into currency positions greater than 100 percent or less than 0 percent of the underlying asset exposure in their respective portfolios. The only exceptions are (1) as it relates to specific cross-hedging activity, which may be permitted in certain investment manager contracts, and (2) in global macro investment strategies where the manager is permitted to tactically allocate across several asset classes and strategies, including currency. IPERS' net foreign currency exposure of the global macro managers was less than 1% of IPERS' total foreign currency exposure on June 30, 2013.

Foreign currency risk by investment type for the pension system fiduciary funds, at June 30, 2013, follows (expressed in thousands):

	Total	Cash	Derivatives	Equity	Fixed Income
Argentine peso	$ 1	$ 1	$ -	$ -	$ -
Australian dollar	110,346	(44,785)	117	154,653	361
Brazilian real	45,305	85	-	37,424	7,796
British pound	207,982	(2,582)	(6,132)	201,724	14,972
Canadian dollar	(56,781)	(65,869)	5,597	451	3,040
Chilean peso	1,773	-	-	1,575	198
Chinese yuan renminbi	795	795	-	-	-
Columbian peso	2,002	-	-	1,952	50
Czech koruna	3,772	119	-	3,653	-
Danish krone	20,508	103	-	20,405	-
Euro	733,381	(65,690)	2,254	760,025	36,792
Hong Kong dollar	205,839	3,458	705	201,676	-
Hungarian forint	1,330	-	-	1,330	-
Iceland krona	41	-	-	-	41
Indian rupee	25,636	94	-	25,542	-
Indonesian rupiah	10,881	49	-	10,832	-
Japanese yen	427,100	(12,992)	2,328	437,764	-
Malaysian ringgit	33,149	88	-	32,311	750
Mexican peso	51,826	674	-	15,408	35,744
New Zealand dollar	15,811	13,384	-	983	1,444
Norwegian krone	51,923	24,083	-	26,339	1,501
Peruvian nuevo sol	927	-	-	927	-
Philippine peso	1,815	-	-	1,815	-
Polish zloty	353	-	-	353	-
Pound sterling	317	-	-	-	317
Russian ruble	14,053	48	-	6,896	7,109
Singapore dollar	(1,115)	(32,963)	-	30,369	1,479
South African rand	13,848	37	-	13,811	-
South Korean won	127,150	(333)	-	127,483	-
Swedish krona	40,538	25,835	-	14,703	-
Swiss franc	22,160	(50,958)	-	73,118	-
Taiwanese dollar	68,112	6	-	68,106	-
Thai baht	17,084	-	-	17,084	-
Turkish lira	14,214	173	-	7,405	6,636
Total	$ 2,212,076	$ (207,140)	$ 4,869	$ 2,296,117	$ 118,230

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Policies of the Treasurer, Universities and Systems limit investment in any single issuer or corporate entity to no more than 5% of the market value of the portfolio or account. The policy does not apply to investments in U.S. treasuries, government agencies or instrumentalities.

Custodial Credit Risk

Deposits: Custodial credit risk for deposits is the risk the State's deposits may not be returned to it in the event of a bank failure. Protection from custodial credit risk exists for the State's deposits in excess of FDIC insurance coverage. Banks in Iowa which accept public funds deposits are required to pledge collateral in an amount equal to, or in excess of, the total amount by which the public funds deposits in the bank exceed the total capital of the bank. If a bank fails, the Treasurer would liquidate any collateral the bank had pledged and use the proceeds to repay public units. If the proceeds from the sale of the collateral were not sufficient to reimburse the public units, the Treasurer would use money from the sinking fund to make the public units whole. If there is not enough money in the sinking fund to cover the uninsured public deposits, the Treasurer would assess a proportional share of the loss against all remaining banks whose public funds deposits exceeded FDIC insurance to satisfy the remaining loss. The Universities and the Systems have no formal policy for custodial credit risk. The $1,330.7 million total combined bank deposits of the primary government and fiduciary funds at June 30, 2013, was

exposed to custodial credit risk for $844.6 million of uninsured and uncollateralized bank deposits, of which $842.1 million was invested in money market funds as cash equivalents.

Investments: Custodial credit risk for investments is the risk the State will not be able to recover the value of its investment or collateral securities in the possession of an outside party in the event of a failure of the counterparty. The Treasurer's investment policy requires that all pooled investments be held by a third party custodian while the Universities and Systems have no formal policy for investment custodial credit risk. Of the $35,010.3 million total combined investments of the primary government and fiduciary funds at June 30, 2013, $1.6 million was exposed to custodial credit risk as uninsured and unregistered, with the securities held by the counterparty or by its trust department or agent but not in the State's name.

The State's Unemployment Benefits Fund had $734.0 million on deposit with the U.S. Treasury. This amount is presented as cash and investments but is not included in the carrying amounts of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

Deposits with Trustees

Deposits with trustees totaled $27.3 million at June 30, 2013. $14.6 million was invested in fixed U.S. government agency securities with an effective duration of 1.92 years and a credit quality rating of AAA. $4.4 million was invested in equity securities not subject to credit quality ratings and the remaining $8.3 million were cash and cash equivalents.

B. Component Units

Investments of the component units at June 30, 2013, are scheduled as follows (expressed in thousands):

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	$ 17,005
U.S. government agency	133,566
Government asset & mortgage-backed	570,875
Corporate bonds	21,192
Guaranteed investment contracts	51,700
Total fixed	794,338
Equity:	
Money market funds - commingled	240,785
Municipal	433
Total equity	241,218
Total invested assets	$ 1,035,556

The Universities Foundations' cash and investments of $1,870.8 million are not subject to GASB disclosure requirements.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the component units. The component units have no formal policy to manage credit risk. The exposure to credit risk for the component units fixed income investments at June 30, 2013, is summarized by credit quality ratings, as follows (expressed in thousands):

Credit Risk - S & P Quality Ratings

Investment Type	TSY	AGY	AA	A	NR
U.S. government treasuries, notes & bonds	$ 13,906	$ -	$ 3,099	$ -	$ -
U.S. government agency	-	133,566	-	-	-
Government asset & mortgage-backed	-	354,040	216,835	-	-
Corporate bonds	-	-	-	21,012	180
Guaranteed investment contracts	-	-	10,466	38,527	2,707
Total	$ 13,906	$ 487,606	$230,400	$ 59,539	$ 2,887

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. The component units do not have formal policies that limit investment maturities as a means of managing exposure to credit risk.

The component units' exposure to interest rate risk for the fixed income investments at June 30, 2013, is summarized using the weighted average maturity method, as follows (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. government treasuries, notes & bonds	$ 17,005	3.31
U.S. government agency	133,566	2.40
Government asset & mortgage-backed	570,875	24.25
Corporate bonds	21,192	2.81
Guaranteed investment contracts	51,700	0.50
Total	$ 794,338	18.01

C. University Endowments

For donor restricted endowments, Chapter 540A of the Code of Iowa permits Universities to spend endowment income and to appropriate, within certain limitations, an amount of realized and unrealized endowment appreciation as the Universities determine to be prudent considering their long-term and short-term needs, their present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

The Universities' policies are to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the Universities. Spending rules for the Universities are as follows:

- The University of Iowa's spending rule adjusts dollar payouts by the trailing calendar year Consumer Price Index (inflation rate). Total payout is banded at no less than 4% and no greater than 6% of calendar year-end market values.
- Iowa State University's spending rule is 5.5%, including a 1.25% administrative fee, of the three-year moving market average.
- The University of Northern Iowa's spending rule is 5.0% of the three-year moving average of the market value of the fund.

Net appreciation of endowment funds available to meet spending rate distributions are as follows:

	Amount	Net Position Classification
University of Iowa	$ 11,154,000	Restricted nonexpendable net position
Iowa State University	7,558,705	Restricted expendable net position
University of Northern Iowa	601,922	Restricted expendable net position

D. Derivatives

Fiduciary Funds

GASB Statement No. 53 requires the fair value of financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. The statement further requires that derivatives be categorized as either a hedging derivative or an investment derivative. All of IPERS' derivative exposures at June 30, 2013, are categorized as investment derivatives and, therefore, the hedge accounting provisions of GASB Statement No. 53 are not applicable.

Some of the IPERS' external investment managers may be permitted through their individual investment contracts to use derivative instruments, subject to the IPERS' derivative policy. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices, or derivatives. While this definition includes the most common type of derivative, collateralized mortgage obligations (which typically make up a portion of IPERS' fixed income portfolio), it is also intended to include (but not be limited to) futures, forwards, options, options on futures, swaps, and swaptions. IPERS' managers are not permitted to utilize derivatives for speculative purposes, but may use them to efficiently access desired markets and to control and manage portfolio

risk. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, maintaining exposure to a desired asset class while effecting asset allocation changes, managing duration risk, augmenting index fund performance through index arbitrage, and portable alpha strategies.

The various derivatives utilized by IPERS' investment managers are described below. Although the notional values associated with these derivative instruments are not recorded in the financial statements, the fair value amounts of exposure (unrealized gains/losses) are reported in the Statement of Net Position. IPERS holds investments in limited partnerships and commingled investment funds, which may utilize derivatives from time to time for hedging purposes, and any derivative held by these types of investment vehicles, are not included in the information describing IPERS' derivatives.

IPERS could be exposed to risk if the counterparties to derivatives contracts are unable to meet the terms of the contracts. IPERS' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, exposure monitoring procedures, and in some cases the collateralization of gains or losses. IPERS anticipates that the counterparties will be able to satisfy their obligations under the contracts. Limited partnerships and commingled investment vehicles in which IPERS invests may also have exposure to counterparty risk from the use of derivatives for hedging purposes.

Futures and Options Contracts: IPERS had investments in various futures and options during the year. These contracts are reported at their fair value in the Statement of Net Position.

Futures and options can potentially offer lower-cost and more efficient alternatives to buying the underlying securities or currency. Futures and options can also serve to minimize certain unwanted risks within the portfolio. The market, currency, and credit risk of the futures were the same as if IPERS had owned the underlying securities or currency.

Schedules of futures and options contracts outstanding at June 30, 2013, follow (expressed in thousands):

Futures Exposure Summary

	Expiration Date	Long/Short	Notional Value	Fair Value
Amsterdam Index	July 2013	Long	$ 3,812	$ (47)
CAC 40 Euro Index	July 2013	Short	(34,733)	511
Hang Seng Index	July 2013	Long	19,874	705
3MO Euro Euibor	September 2013	Long	51,927	(21)
10-year Australian bonds	September 2013	Short	(24,309)	-
10-year Canadian bonds	September 2013	Short	(164,725)	5,741
DAX Index	September 2013	Long	47,819	(1,479)
E-mini (S&P 500)	September 2013	Long	95,236	(1,271)
Euro Bunds	September 2013	Short	(24,038)	(244)
Euro OAT	September 2013	Short	(31,964)	619
FTSE 100 Index	September 2013	Long	49,584	(1,177)
FTSE/MIB Index	September 2013	Short	(26,150)	1,551
10-year Japanese bonds	September 2013	Short	(253,640)	808
10-year Japanese minibonds	September 2013	Short	(4,178)	14
S&P Canada 60	September 2013	Long	1,984	(146)
SPI 200 Index	September 2013	Long	13,742	118
TOPIX Index	September 2013	Long	39,766	1,564
U.K. Long Gilt	September 2013	Long	183,670	(4,956)
10-year U.S. Treasury notes	September 2013	Long	143,099	(4,203)
2-year U.S. Treasury notes	September 2013	Short	(50,804)	205
5-year U.S. Treasury notes	September 2013	Short	(313,001)	5,421
U.S. Treasury bonds	September 2013	Long	8,987	(427)
U.S. Ultra Bonds	September 2013	Short	(19,041)	627
IBEX 35 Index	June 2015	Short	(31,118)	1,213
90-day Eurodollar	September 2015	Long	55,768	(218)
Total			$ (262,433)	$ 4,908

Options Exposure Summary

	Expiration Date	Long/Short	Type	Strike Price	Fair Value
90-day Eurodollar	December 2013	Long	Put	$ 99.63	$ 55
91-day Eurodollar	December 2013	Short	Put	99.50	(36)
Eurodollar 2-year mid-curve	September 2013	Long	Call	98.88	125
Eurodollar 2-year mid-curve	September 2013	Short	Call	99.38	(7)
Eurodollar 2-year mid-curve	September 2013	Short	Call	99.13	(33)
Eurodollar 3-year mid-curve	September 2013	Short	Call	98.50	(4)
5-year U.S. Treasury notes	July 2013	Short	Put	121.00	(170)
5-year U.S. Treasury notes	July 2013	Long	Call	123.50	1
5-year U.S. Treasury notes	July 2013	Long	Put	121.50	124
5-year U.S. Treasury notes	July 2013	Long	Put	120.50	58
10-year U.S. Treasury notes	July 2013	Short	Put	129.00	(402)
10-year U.S. Treasury notes	August 2013	Short	Call	130.50	(37)
10-year U.S. Treasury notes	August 2013	Short	Put	126.50	(379)
Total					$ (705)

Credit Default Swaps: IPERS had investments in credit default swaps during the year. The credit default swaps held by IPERS are derivative instruments used to hedge or to replicate investments in debt obligations of corporate bond issuers. The risk of the credit default swap is comparable to the credit risk of the reference security. At June 30, 2013, the net notional value of the credit default swaps held in IPERS' fixed income portfolio was $(29.9) million. The credit default swaps are reported at a fair value of $(546,453) in the Statement of Net Position.

Interest Rate Swaps: Interest rate swaps are transactions between two parties in which interest payments from different indexes are swapped. Interest rate swaps are often used to alter the portfolios' exposure to interest rate fluctuations by swapping fixed-rate obligations for floating-rate obligations or swapping floating-rate obligations for fixed-rate obligations. By utilizing interest rate swaps, IPERS' investment managers are able to synthetically alter their interest rate exposure and bring it in line with their strategic objectives for interest rate risk. At June 30, 2013, the net notional value of the interest rate swaps held in IPERS' fixed income portfolio was $(66.2) million. All interest rate swaps held by IPERS' are reported at a fair value of $6.0 million in the Statement of Net Position.

A swaption represents the option to enter into an interest rate swap. In exchange for an option premium, the buyer gains the right, but not the obligation, to enter into a specified swap agreement with the issuer on a specified future date. The agreement will specify whether the buyer of the swaption will be a fixed-rate receiver (like a call option on a bond) or a fixed-rate payer (like a put option on a bond). At June 30, 2013, IPERS held five interest rate swaptions. Four of these contracts had a strike rate of 0.40 percent and expire March 2015. The remaining swaption held by IPERS at June 30, 2013, possessed a strike rate of 1.40 percent and will expire in September 2018. All five interest rate swaptions held by IPERS are reported in the Statement of Net Position at a fair value of $(557,885).

Total Return Swaps: A total return swap is a contract in which two parties swap payments based on the total return of a reference asset. The reference asset may be any asset, index, or basket of assets. At June 30, 2013, the net notional value of the total return swaps held in IPERS' fixed income portfolio was $(50.0) million. The total return swaps held by IPERS are reported at a fair value of $(955,080) in the Statement of Net Position.

Mortgage-Backed Securities: IPERS invests in mortgage-backed securities, which are reported in the Statement of Net Position at fair value based on estimated future cash flows from the interest and principal payments of the underlying mortgages. As a result, mortgage-backed securities prices are sensitive to prepayments by mortgagees, which are more likely in declining interest rate environments. IPERS invests in mortgage-backed securities to diversify the portfolio and earn the return premium associated with prepayment risk.

Component Units

Iowa Finance Authority (Authority), a discretely presented component unit of the State, has derivative instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. The derivatives consist of swap, cap and corridor agreements entered into in connection with its issuance of variable rate mortgage revenue bonds.

The Authority reports hedging derivative instruments as either deferred inflows or outflows and investing derivative instruments as investments. The change in the fair value of the investing derivative instruments is reported in the statement of revenues, expenses and changes in net position.

Swap agreements allow the Authority to raise funds at variable rates and swap them into fixed rates that are lower than those available if fixed rate borrowings were made directly. These contracts involve the exchange of variable rate for fixed rate payments between parties, without the exchange of the underlying debt, based on a common notional amount and maturity date.

The terms of the swap hedging derivative instruments outstanding at June 30, 2013, follow (expressed in thousands):

Bond Series	2013 Notional Amount	Effective Date	Termination Date	Term		Counterparty Rating
				Pay	Receive	
SF 2004 B	$ 11,050	12/2/2004	7/1/2034	4.028%	Enhanced LIBOR	A2
SF 2004 D	9,520	2/3/2005	7/1/2020	4.007%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	A2
SF 2004 G	10,615	6/1/2005	7/1/2034	3.867%	Enhanced LIBOR	A2
SF 2005 C	8,825	11/1/2005	1/1/2036	4.140%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	A2
SF 2005 E	10,995	1/1/2011	1/1/2036	3.817%	Enhanced LIBOR	A2
SF 2005 H	13,310	1/1/2011	7/1/2036	3.843%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	A2
SF 2006 C	12,000	9/1/2006	1/1/2036	3.760%	Enhanced LIBOR	A2
SF 2006 F	10,195	11/1/2006	7/1/2036	4.632%	SIFMA Swap Index + 0.10%	A2
SF 2007 C	18,350	3/8/2007	7/1/2025	5.289%	LIBOR	A2
SF 2007 G	15,875	7/12/2007	1/1/2019	5.493%	LIBOR	A2
SF 2007 M	13,880	12/12/2007	7/1/2021	4.373%	LIBOR	A2
SF 2007 N	11,060	12/12/2007	1/1/2039	4.364%	SIFMA Swap Index + 0.06%	A2
MF 2008 A	3,650	4/17/2008	6/1/2024	3.971%	SIFMA Swap Index + 0.08%	A2
SF 2008 B	12,890	1/1/2011	1/1/2039	4.470%	SIFMA Swap Index + 0.06%	A2
SF 2008 C	16,025	4/16/2008	1/1/2026	3.880%	LIBOR	A2
SF 2008 F	17,330	10/1/2008	1/1/2039	4.529%	SIFMA Swap Index + 0.08%	A2
SF 2008 G	12,140	10/1/2008	7/1/2018	4.173%	LIBOR	A2

Interest rate cap derivatives are instruments where payments are received at the end of each period based on a notional amount, when the interest rate exceeds the agreed upon strike rate. A corridor agreement is an interest rate cap with an upper limit, or ceiling, where the cap ceases to pay above the ceiling rate. Terms of the cap and corridor derivative instruments outstanding at June 30, 2013, follow (expressed in thousands):

Bond Series	2013 Notional Amount	Effective Date	Termination Date	Strike Rate	Ceiling Rate
SF 2003 G	$ 1,325	6/25/2003	7/1/2013	5% 3 mo LIBOR	10% 3 mo LIBOR
MF 2007 B	9,300	6/14/2007	1/1/2024	4.5% SIFMA until 7/14/2014 5% SIFMA until 7/1/2019 5.5% SIFMA thereafter	n/a
MF 2007A	12,285	7/1/2012	7/1/2015	3% SIFMA	n/a
MF B-1	11,374	7/1/2012	7/1/2015	6% LIBOR	n/a

The fair value balances of derivative instruments outstanding at June 30, 2013, classified by type, and change in the fair value of such derivative instruments as reported in the financial statements are as follows (expressed in thousands):

Bond Series	Type	Fair Value, June 30 2013	Fair Value, June 30 2012	Change in Fair Value
Hedging derivatives:				
SF 2002 I	Swap	$ -	$ (6)	$ 6
SF 2004 B	Swap	(105)	(332)	227
SF 2004 D	Swap	(232)	(528)	296
SF 2004 G	Swap	(375)	(591)	216
SF 2005 C	Swap	(880)	(2,188)	1,308
SF 2005 E	Swap	(575)	(839)	264
SF 2005 H	Swap	(1,009)	(1,737)	728
SF 2006 C	Swap	(1,017)	(1,563)	546
SF 2006 F	Swap	(1,499)	(2,415)	916
MF 2007 B	Cap	240	212	28
SF 2007 C	Swap	(2,527)	(3,767)	1,240
SF 2007 G	Swap	(1,692)	(2,558)	866
SF 2007 M	Swap	(1,198)	(1,832)	634
SF 2007 N	Swap	(898)	(1,417)	519
MF 2008 A	Swap	(561)	(839)	278
SF 2008 C	Swap	(1,071)	(1,746)	675
SF 2008 F	Swap	(1,226)	(2,039)	813
SF 2008 G	Swap	(819)	(1,308)	489
SF 2008 B	Swap	(529)	(1,015)	486
MF 2011 B1	Cap	1	2	(1)
MF 2007 A	Cap	1	4	(3)
Investment derivatives:				
SF 2003 F	Swap	(75)	(598)	523
SF 2007 C	Swap	(81)	(129)	48
SF 2007 G	Swap	55	10	45
Forward MBS sales		(25,600)	(11,845)	(13,755)
Total		$ (41,672)	$ (39,064)	$ (2,608)

The fair value of the interest rate swaps (including the corridor agreement) and forward MBS sales were estimated based on an independent pricing service. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the interest rate swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate swaps. Fair values of options are based on option pricing models such as the Black-Scholes-Merton model, or any of the short-rate models of interest rate, or other market standard models consistent with accepted practices in the market for interest rate products. The models consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. The fair values of the interest rate cap and the forward contract were estimated based on the present value of their estimated future cash flows.

Risks Associated and Derivative Transactions:

Credit risk. The Authority is exposed to credit risk on hedging derivatives instruments that are in asset positions. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2013, was $242,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

UBS AG and Goldman Sachs Bank USA are currently counterparties under the derivatives agreements with the Authority. UBS AG and Goldman Sachs Bank USA are currently rated A2 Moody's.

With respect to counterparty risk, the Authority will also manage the agreements and all transactions entered into with UBS AG and Goldman Sachs Bank USA to ensure that the Authority's exposure to either of its counterparties does not exceed a proper amount.

Interest rate risk. The Authority is exposed to interest rate risk on its derivatives. On its pay-fixed, receive-variable derivatives, as the LIBOR or SIFMA swap index decreases, the Authority's net payment on the derivatives increases.

Basis risk. Basis risk refers to a mismatch between the interest rate received from the derivative counterparty and the interest rate actually owed on the Authority's bonds. Specifically, the Authority's basis risk is that the variable interest payment received from the counterparty will be less than the actual variable interest payments owed on the Authority's variable rate bonds. The mismatch between the Authority's actual bond rate and the derivative rate is the Authority's basis risk. As of June 30, 2013, the weighted average interest rate of the Authority's hedged variable rate debt is 4.39%, while the SIFMA swap index rate is 0.06%. LIBOR is 0.19% at June 30, 2013.

Termination risk. Termination risk is the risk the swap could be terminated as a result of any of several events, which may include a ratings downgrade of the Authority's single family mortgage bonds or of UBS AG or Goldman Sachs Capital Markets, LP covenant violation by a party, bankruptcy of a party, swap payment default by a party, and default events as defined in the Authority's single family bond resolution; however, the Authority believes the likelihood of any such termination event is remote.

Rollover risk. Rollover risk is the risk the term of a particular swap contract is not coterminous with the related bonds. If an issuer entered into a swap to hedge for a specified period of time and then decides at swap maturity it wished to maintain the same or similar hedge position, it may incur rehedging costs at that time. The Authority minimizes this risk by matching the term of the swaps with the maturity of the related bonds.

NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following (expressed in thousands):

	Transferred In				
Transferred Out	General Fund	Nonmajor Governmental Funds	University Funds	Nonmajor Enterprise Funds	Total
General Fund	$ -	$ 42,514	$ 602,320	$ 3,176	$ 648,010
Tobacco Collections Fund	-	14,439	-	-	14,439
Nonmajor Governmental Funds	47,434	3,407	-	-	50,841
Unemployment Benefits Fund	7,232	-	-	-	7,232
Nonmajor Enterprise Funds	98,792	1,473	-	-	100,265
Total	$ 153,458	$ 61,833	$ 602,320	$ 3,176	$ 820,787

Transfers are used to move: 1) revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization and 3) profits from the Liquor Control Fund as required by law.

Not included in the table above are transfers totaling $2.2 million for capital contributions from governmental activities to the business-type activities. These were appropriately recorded as expenditures and capital contributions in the governmental and business-type fund financial statements, respectively, and reclassified as transfers in the government-wide statement of activities.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2013, consisted of the following (expressed in thousands):

		Proprietary Funds		
	Governmental Funds	Enterprise Funds Business-type Activities	Governmental Activities Internal Service Funds	Component Units
Accounts receivable:				
Taxes	$ 541,662	$ -	$ -	$ -
Pledges	1,159	-	-	209,555
Benefit overpayments	-	61,104	-	-
Employer contributions	-	216,846	-	-
Grants & contracts	952,207	731,480	-	-
Other	780,903	102,832	1,295	59,276
Less allowance for doubtful accounts	554,368	433,592	-	5,119
Less discount to present value	-	-	-	19,551
Accounts receivable (net)	$ 1,721,563	$ 678,670	$ 1,295	$ 244,161
Current	$ 1,623,063	$ 667,743	$ 1,295	$ 95,626
Noncurrent	98,500	10,927	-	148,535
Total	$ 1,721,563	$ 678,670	$ 1,295	$ 244,161
Loans receivable:				
Loans receivable	$ 30,329	$ 76,270	$ -	$ 1,615,057
Less allowance for doubtful accounts	12,565	3,669	-	86,669
Loans receivable (net)	$ 17,764	$ 72,601	$ -	$ 1,528,388
Current	$ 4,754	$ 7,234	$ -	$ 77,768
Noncurrent	13,010	65,367	-	1,450,620
Total	$ 17,764	$ 72,601	$ -	$ 1,528,388

NOTE 5 – INTERFUND BALANCES

Interfund balances for the year ended June 30, 2013, consisted of the following (expressed in thousands):

	Due From Other Funds/Advances To Other Funds						
Due To Other Funds/ Advances From Other Funds	General Fund	Tobacco Settlement Authority	Nonmajor Governmental Funds	Unemployment Benefits Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	$ -	$ 9	$ 3,864	$ 563	$ 45	$ 64,828	$ 69,309
Tobacco Settlement Authority	159	-	-	-	-	-	159
Tobacco Collections Fund	-	179,206	-	-	-	-	179,206
Nonmajor Governmental Funds	6,827	-	101	-	-	35	6,963
Unemployment Benefits Fund	392	-	-	-	-	-	392
Nonmajor Enterprise Funds	6,359	-	650	-	-	33	7,042
Internal Service Funds	875	-	7	-	-	11,493	12,375
Total	$ 14,612	$ 179,215	$ 4,622	$ 563	$ 45	$ 76,389	$ 275,446

$51.7 million is due from the General Fund to the Workers' Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred. Remaining interfund balances result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Not included in the table above, and not expected to be repaid within one year, are interfund advances of $231.4 million due from the Tobacco Collections Fund (a Special Revenue Fund) to the Tobacco Settlement Authority (a

blended component unit classified as a Special Revenue Fund) for repayment of bonds issued by the Authority, the proceeds of which were provided to the State, and $25.9 million due from the Honey Creek Park (an Enterprise Fund) to the Honey Creek Authority (a blended component unit classified as a Special Revenue Fund) for repayment of funds provided for development of the park. The interfund advances will be reduced by pledged tobacco settlement moneys received and the principal amount paid each year, respectively.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows (expressed in thousands):

	Beginning Balance	Beginning Balance Adjustment	Beginning Balance, Restated	Reclass-ifications	Increases	Decreases	Ending Balance
Governmental activities							
Capital assets not being depreciated:							
Land	$ 727,708	$ -	$ 727,708	$ (1,588)	$ 34,279	$ 2,606	$ 757,793
Construction in progress	234,403	-	234,403	(60,345)	89,406	-	263,464
Computer software in progress	25,534	-	25,534	-	54,508	-	80,042
Total capital assets not being depreciated	987,645	-	987,645	(61,933)	178,193	2,606	1,101,299
Capital assets being depreciated:							
Infrastructure	10,669,099	-	10,669,099	4,548	589,375	22,715	11,240,307
Works of art and historical treasures	1,415	-	1,415	-	-	-	1,415
Land improvements	53,915	-	53,915	2,612	33	312	56,248
Buildings and improvements	1,387,759	-	1,387,759	53,414	10,729	1,929	1,449,973
Machinery, equipment and vehicles	496,457	-	496,457	1,359	42,692	26,172	514,336
Computer software	24,573	-	24,573	-	1,290	-	25,863
Total capital assets being depreciated	12,633,218	-	12,633,218	61,933	644,119	51,128	13,288,142
Less accumulated depreciation for:							
Infrastructure	5,110,227	-	5,110,227	-	417,604	22,715	5,505,116
Works of art and historical treasures	172	-	172	-	14	-	186
Land improvements	18,099	-	18,099	-	1,653	84	19,668
Buildings and improvements	589,699	-	589,699	-	35,118	1,069	623,748
Machinery, equipment and vehicles	318,795	-	318,795	-	35,684	23,857	330,622
Computer software	10,675	-	10,675	-	2,497	-	13,172
Total accumulated depreciation	6,047,667	-	6,047,667	-	492,570	47,725	6,492,512
Total capital assets being depreciated (net)	6,585,551	-	6,585,551	61,933	151,549	3,403	6,795,630
Governmental activities capital assets (net)	$7,573,196	$ -	$7,573,196	$ -	$329,742	$ 6,009	$7,896,929

(continued on next page)

(continued)

	Beginning Balance	Beginning Balance Adjustment*	Beginning Balance, Restated	Reclass-ifications	Increases	Decreases	Ending Balance
Business-type activities							
Capital assets not being depreciated:							
Land	$ 71,609	$ 3,628	$ 75,237	$ -	$ 10,118	$ 12	$ 85,343
Land improvements	5,733	-	5,733	-	-	-	5,733
Construction in progress	353,765	-	353,765	(224,600)	404,744	177	533,732
Computer software in progress	7,924	-	7,924	-	7,966	-	15,890
Works of art	33,304	-	33,304	-	412	-	33,716
Library collections	272,901	-	272,901	-	13,543	876	285,568
Total capital assets not being depreciated	745,236	3,628	748,864	(224,600)	436,783	1,065	959,982
Capital assets being depreciated:							
Infrastructure	828,300	-	828,300	43,681	4,069	-	876,050
Library collections	246,471	-	246,471	-	10,876	1,606	255,741
Land improvements	66,606	673	67,279	2,844	483	-	70,606
Buildings and improvements	4,323,609	-	4,323,609	178,075	21,589	10,565	4,512,708
Machinery, equipment and vehicles	1,008,965	7	1,008,972	-	84,851	59,140	1,034,683
Trademarks	285	-	285	-	-	178	107
Goodwill	2,479	-	2,479	-	-	177	2,302
Computer software	88,081	-	88,081	-	7,005	2,785	92,301
Total capital assets being depreciated	6,564,796	680	6,565,476	224,600	128,873	74,451	6,844,498
Less accumulated depreciation for:							
Infrastructure	487,400	-	487,400	-	28,220	-	515,620
Library collections	196,737	-	196,737	-	10,558	1,525	205,770
Land improvements	37,221	295	37,516	-	2,286	-	39,802
Buildings and improvements	1,906,374	-	1,906,374	-	139,720	7,085	2,039,009
Machinery, equipment and vehicles	653,538	-	653,538	-	78,043	54,270	677,311
Trademarks	34	-	34	-	7	24	17
Goodwill	234	-	234	-	153	12	375
Computer software	34,921	-	34,921	-	7,114	2,700	39,335
Total accumulated depreciation	3,316,459	295	3,316,754	-	266,101	65,616	3,517,239
Total capital assets being depreciated (net)	3,248,337	385	3,248,722	224,600	(137,228)	8,835	3,327,259
Business-type activities capital assets (net)	$3,993,573	$ 4,013	$3,997,586	$ -	$299,555	$ 9,900	$4,287,241

* See NOTE 20 - BEGINNING BALANCE ADJUSTMENT.

Depreciation was charged to functions of the primary government as follows (expressed in thousands):

Governmental activities:	
Administration & regulation	$ 9,551
Education	5,566
Health & human rights	4,053
Human services	4,933
Justice & public defense	26,537
Economic development	523
Transportation	419,826
Agriculture & natural resources	7,157
Subtotal	478,146
Depreciation on capital assets held by the State's internal service funds is allocated to the various functions based on their use of the assets	14,424
Total	$ 492,570
Business-type activities:	
Enterprise	$ 266,101

Discretely Presented Component Units (expressed in thousands)

Capital assets not being depreciated:	
Land	$ 8,533
Construction in progress	3,149
Total capital assets not being depreciated	11,682
Capital assets being depreciated:	
Infrastructure	10,351
Buildings and improvements	120,309
Land improvements	45
Machinery, equipment and vehicles	23,891
Computer software	6,145
Total capital assets being depreciated	160,741
Less accumulated depreciation	71,041
Total capital assets being depreciated (net)	89,700
Discretely presented component units capital assets (net)	$ 101,382

Impairment of Capital Assets

Iowa State University experienced impairments to buildings as a result of flooding during fiscal year 2011. See NOTE 23 – EXTRAORDINARY ITEMS for additional information.

A net impairment gain associated with several impaired buildings has been calculated as required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (expressed in thousands).

Historical cost	$ 24,247
Accumulated depreciation	11,550
Carrying value	$ 12,697
Restoration cost	$ 12,146
Deflation factor, compounded	0.78
Deflated restoration costs	$ 9,505
Restoration cost ratio	39.2%
Impairment loss	$ (4,976)
Insurance recovery	7,595
Net building impairment gain	2,619
Less net gain realized in previous years	(734)
Net building impairment gain, FY2013	$ 1,885

The impairment loss is measured using the restoration cost approach. The expected cost to restore the impaired buildings (excluding building contents) is $12.1 million. Restoration costs were deflated using a 3% cost index compounded over the life of each building. The deflation factor was calculated separately for each building and ranged from 0.53 to 0.89, with the weighted average being 0.78. The deflated restoration costs of the impaired buildings are $9.5 million. The amount of the impairment is calculated using a ratio of deflated restoration costs over historical cost, multiplied by the carrying value of each impaired asset. As a result, assets fully depreciated prior to the flood would have an impairment loss of zero, regardless of the damage. The restoration cost ratio was calculated separately for each impaired building; the ratios ranged from 3.78% to 100%, with the weighted average being 39.2%, compared to the previous year's weighted average of 37.8%. The resulting total gross

impairment loss, based on each asset's carrying value is $5.0 million. GASB 42 requires that impairment loss be reported net of insurance recoveries. The University has estimated the realizable insurance recovery associated with building impairment to be $7.6 million, resulting in a net building impairment gain of $2.6 million. The net impairment gain reported as of June 30, 2012 was $0.7 million; therefore, an incremental change in net impairment gain of $1.9 million is recorded in the financial statements for the year ended June 30, 2013.

None of the impaired buildings remain idle as of June 30, 2013.

The August 2010 flood is treated as an extraordinary event as it meets the criteria for being both unusual in nature and infrequent in occurrence. The FY2013 net building impairment gain is recorded as a component of an extraordinary item in the financial statements.

Idle Impaired Capital Assets

Due to temporary development stoppage of the Medicaid Information System (MIDAS), the Iowa Department of Human Services has $10.1 million of temporarily impaired capital assets considered to be idle as of June 30, 2013. In accordance with GASB Statement No. 42, the capital assets reported in the governmental activities have not been adjusted for the temporary impairment.

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows (expressed in thousands):

	Beginning Balance	Beginning Balance Adjustment*	Beginning Balance, Restated	Additions	Deductions	Ending Balance	Amounts due within one year
Governmental activities							
Compensated absences	$ 315,212	$ -	$ 315,212	$ 160,088	$ 151,376	$ 323,924	$ 142,412
Capital leases	2,254	-	2,254	9	2,057	206	137
Revenue bonds	1,881,714	-	1,881,714	-	48,467	1,833,247	167,482
Other financing arrangements	2,141	-	2,141	-	307	1,834	234
Early retirement/termination benefits	97,512	-	97,512	8,220	39,568	66,164	30,949
Other postemployment benefits	74,098	-	74,098	10,166	-	84,264	-
Pension	55,661	-	55,661	7,667	338	62,990	-
Risk management	20,000	-	20,000	6,873	6,873	20,000	7,916
Pollution remediation	36,561	-	36,561	906	2,755	34,712	10,668
Other liabilities	2,652	-	2,652	-	1,499	1,153	162
Total **	2,487,805	-	2,487,805	193,929	253,240	2,428,494	359,960
Allocation of Internal Service Funds liability:							
Compensated absences	5,732	-	5,732	2,851	2,480	6,103	2,861
Capital leases	630	-	630	-	630	-	-
Early retirement/termination benefits	2,430	-	2,430	245	939	1,736	782
Other postemployment benefits	1,340	-	1,340	190	-	1,530	-
Total	10,132	-	10,132	3,286	4,049	9,369	3,643
Total primary government - governmental activities	$2,497,937	$ -	$ 2,497,937	$ 197,215	$ 257,289	$ 2,437,863	$ 363,603
Business-type activities							
Compensated absences	$ 187,024	$ -	$ 187,024	$ 122,273	$ 115,447	193,850	$ 117,117
Capital leases	173,504	(154,177)	19,327	21,376	1,380	39,323	2,266
Revenue bonds	1,399,535	150,403	1,549,938	430,273	188,782	1,791,429	80,014
Other financing arrangements	19,021	11,777	30,798	6,824	2,427	35,195	2,511
Early retirement/termination benefits	23,339	-	23,339	168	9,095	14,412	6,739
Other postemployment benefits	85,780	-	85,780	18,843	-	104,623	-
Total primary government - business-type activities	$1,888,203	$ 8,003	$ 1,896,206	$ 599,757	$ 317,131	$ 2,178,832	$ 208,647

* See NOTE 20 - BEGINNING BALANCE ADJUSTMENTS.

** The General Fund has typically been used to liquidate most long-term liabilities, except for $747.9 million and $32.1 million of revenue bonds to be liquidated by the Tobacco Settlement Authority and the Honey Creek Authority, respectively, both Special Revenue Funds.

NOTE 8 – CAPITAL LEASES

The State has entered into agreements to lease various equipment and property. The agreements have interest rates ranging from 0.00% to 10.49% and expire before June 30, 2031.

The State has also entered into a few installment purchase agreements. Because the amounts involved are not material, and the accounting treatment is similar, such agreements are reported together with capital leases.

A. Primary Government

Governmental Activities

The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2014	$ 137	$ 6
2015	65	1
2016	3	-
2017	1	-
Total	$ 206	$ 7

The historical cost of assets acquired under capital leases and included in capital assets in the government-wide statements at June 30 follows (expressed in thousands):

Equipment	$ 383
Accumulated depreciation	(192)
Net	$ 191

Business-type Activities

The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2014	$ 2,266	$ 1,355
2015	2,348	1,267
2016	2,435	1,175
2017	2,493	1,080
2018	2,586	983
2019-2023	12,403	3,702
2024-2028	10,423	2,434
Thereafter	4,369	441
Total	$ 39,323	$ 12,437

The historical cost of assets acquired under capital leases and included in capital assets in the financial statements at June 30 follows (expressed in thousands):

Land	$ 386
Buildings & improvements	41,383
Equipment	298
Total	42,067
Accumulated depreciation	(1,607)
Net	$ 40,460

B. Component Units

The University of Iowa Foundation has entered into a lease agreement with the University of Iowa for a leasehold interest in a building. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal
2014	$ 670
2015	690
2016	725
2017	740
2018	780
Thereafter	825
Total	$ 4,430

NOTE 9 – OTHER FINANCING ARRANGEMENTS PAYABLE

Loans and Contracts Payable – Primary Government

Governmental Activities

The Iowa Department of Natural Resources has entered into agreements for facilities and land for a total of $4,118,000 with interest rates ranging from 0.00% to 3.00%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2014	$ 234	$ 52
2015	245	45
2016	253	39
2017	263	31
2018	273	24
Thereafter	566	36
Total	$ 1,834	$ 227

Business-type Activities

Iowa State University, the University of Northern Iowa and the University of Iowa have entered into agreements for buildings and equipment for a total of $62,899,296. The agreements are for periods of 3 to 23 years with interest rates ranging from 0.00% to 5.82%. The following is a schedule by year of future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2014	$ 2,511	$ 1,087
2015	12,521	931
2016	9,627	502
2017	1,176	308
2018	903	264
2019-2023	3,516	708
2024-2028	741	202
Thereafter	4,200	43
Total	$ 35,195	$ 4,045

NOTE 10 – BONDS PAYABLE

Revenue bonds payable at June 30, 2013, are as follows (expressed in thousands):

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATES	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
PRIMARY GOVERNMENT					
Governmental activities					
Revenue bonds					
Term bonds					
Tobacco Settlement Authority	2006	$ 635,635	5.38-6.50	2007-2041	$ 550,430
Honey Creek Authority	2007	15,215	4.50	2029-2036	15,215
IJOBS - 2010	2011	63,635	4.00-5.25	2034-2038	63,635
Total					629,280
Serial bonds					
Vision Iowa	2002	$ 196,375	2.25-5.50	2002-2021	101,820
Department of Corrections (1)	2002	54,240	4.00-5.38	2007-2016	16,180
Honey Creek Authority	2007	18,155	3.95-5.00	2011-2028	16,735
Iowa Utilities Board	2010	12,640	5.04	2011-2029	11,490
IJOBS - 2009	2010	601,070	3.00-6.75	2011-2034	558,030
Prison Infrastructure	2011	135,050	2.00-5.00	2012-2027	134,175
IJOBS - 2010	2011	113,260	0.92-5.00	2012-2030	104,420
School Infrastructure	2012	20,910	1.50-4.00	2013-2021	18,855
Total					961,705
Capital appreciation bonds					
Tobacco Settlement Authority	2006	$ 729,800	5.60-7.13	2007-2046	729,800
Total revenue bonds					2,320,785
Unamortized premium					45,713
Unamortized discount					(533,362)
Unamortized net refunding gain					111
Total governmental activities					$ 1,833,247
Business-type activities					
Revenue bonds					
University of Iowa	1991-2013	$ 1,339,020	2.00-8.38	1996-2041	$ 1,171,305
Iowa State University	1999-2013	554,425	1.00-6.10	2000-2038	437,345
University of Northern Iowa	1995-2013	195,447	1.00-8.25	1995-2035	152,611
Total revenue bonds					1,761,261
Unamortized premium					28,007
Unamortized discount					(1,489)
Unamortized net refunding gain					3,650
Total business-type activities					$ 1,791,429
COMPONENT UNITS					
Revenue bonds					
Iowa Finance Authority	1978-2013	$ 2,570,436	variable (2)	2003-2043	$ 1,388,399
Iowa State University Foundation	2002	3,850	4.75	2003-2020	2,580
Total revenue bonds					1,390,979
Unamortized premium					46,922
Total component units					$ 1,437,901

(1) The Iowa Finance Authority (Finance Authority) has characterized the bonds as conduit debt obligations and omitted them from the Finance Authority's financial statements. Although these bonds have characteristics of conduit debt, GASB has stated such debt is not conduit debt when the issuer (Finance Authority) and the beneficiary (the State of Iowa) are within the same financial reporting entity. Since the bonds are not conduit debt, the Finance Authority should have included the liability for the bonds and the due from the State of Iowa in its financial statements and the State of Iowa's financial statements should have reported a due to Finance Authority rather than a liability for bonds payable. Because there is no significant effect on the net position of the Finance Authority or the State of Iowa as a result of the Finance Authority's omission, the CAFR has been prepared to reflect the reporting method used by the Finance Authority in its annual financial statements for the year ended June 30, 2013.

(2) Variable rates are as of June 30, 2013.

A. Primary Government – Governmental Activities

Vision Iowa

The State of Iowa has issued Vision Iowa Special Fund Bonds to provide grants or loans to communities to enhance local recreational, cultural and entertainment opportunities.

The State has pledged a portion of the future revenues to be deposited into the Vision Iowa Fund to repay $196.4 million of bonds issued in November 2001. These revenues include a standing appropriation of $15 million annually from gaming revenues, certain earnings on the Vision Iowa Fund and Bond Reserve Fund (including any amounts appropriated to replenish the Bond Reserve Fund to its required balance) and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are payable solely and only from certain revenues deposited into the Vision Iowa Fund and the Bond Reserve Fund and are payable through fiscal year 2021. Annual principal and interest payments on the bonds are expected to require less than 92% of total deposits into the Vision Iowa Fund. As of June 30, 2013, total principal and interest remaining to be paid on the debt is $127.7 million. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were $15.9 million and $14.9 million, respectively.

The bonds are not debts of the State or any political subdivision of the State, and do not constitute a pledge of the faith and credit of the State or a charge against the general credit or General Fund of the State.

School Infrastructure

The State of Iowa issued School Infrastructure Special Fund Bonds to assist local school districts with the construction and renovation of facilities in November 2001. The funds provided grants limited to $1,000,000 and required a local match. In March 2012, the State issued $20.9 million of School Infrastructure Special Fund Refunding Bonds, Series 2012 to refund $24.6 million of School Infrastructure Special Fund Bonds, Series 2001.

The State has pledged a portion of the future revenues to be deposited into the School Infrastructure Fund to repay $20.9 million of Series 2012 Bonds. These revenues include a standing appropriation of $5 million annually from gaming revenues, certain earnings on the School Infrastructure Fund and Bond Reserve Fund (including any amounts appropriated to replenish the Bond Reserve Fund to its required balance) and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are payable solely and only from certain revenues deposited into the School Infrastructure Fund and the Bond Reserve Fund and are payable through fiscal year 2021. Annual principal and interest payments on the bonds are expected to require less than 53% of total deposits into the School Infrastructure Fund. As of June 30, 2013, total principal and interest remaining to be paid on the debt is $21.9 million. Principal and interest paid for the current year and total deposits into the School Infrastructure Fund were $2.6 million and $5.0 million, respectively.

The bonds are limited special obligations of the State. The bonds are not debts of the State or any political subdivision of the State, and do not constitute a pledge of the faith and credit of the State or a charge against the general credit or General Fund of the State.

Iowa Department of Corrections

The Iowa Finance Authority (Finance Authority) has issued serial bonds for financing the construction or renovation of correctional facilities in the State. The Iowa Department of Corrections administers the State's correctional facilities and authorizes expenditures under the program.

Pursuant to an Indenture of Trust among the Finance Authority, the Iowa Department of Corrections and U.S. Bank National Association (the "Trustee"), the State has pledged, as security for the bonds issued by the Finance Authority, amounts sufficient to cover the principal and interest requirements on the Finance Authority's debt consisting of all funds deposited into the Prison Infrastructure Fund (not reverting to the State General Fund at year-end), investment earnings on moneys in the Prison Infrastructure Fund and certain other moneys held by the Trustee under the Indenture. Current State law requires the first $9,500,000 of moneys remitted to the Treasurer of State each fiscal year from certain fees and fines collected from the clerks of district court in criminal cases be deposited in the Prison Infrastructure Fund. The bonds, issued by the Finance Authority in fiscal year 2002 for $54.2 million, are payable through fiscal year 2016. The Finance Authority has pledged, as sole security for the bonds, all funds deposited in the Prison Infrastructure Fund (not reverting to the State General Fund at year-end), investment earnings on moneys in the Prison Infrastructure Fund and certain other moneys held by the Trustee under the Indenture. Annual principal and interest payments on the bonds are expected to require less than 56% of total deposits into the Prison Infrastructure Fund. As of June 30, 2013, total principal and interest remaining to be paid on the debt is $17.7 million. Principal and interest paid for the current year and total deposits into the Prison Infrastructure Fund were $8.4 million and $15.0 million, respectively.

The bonds are limited special obligations of the Finance Authority and do not constitute a general obligation of the Finance Authority, the State of Iowa or any political subdivision thereof.

Tobacco Settlement Authority

The Tobacco Settlement Authority (Authority) has issued Tobacco Settlement Asset-Backed Bonds to advance refund outstanding tobacco settlement asset-backed bonds and to provide funding to the State for various capital projects.

Pursuant to a Sales Agreement between the State and Authority, the State has pledged, as security for bonds issued by the Authority, 78% of the amounts payable to the State under the Master Settlement Agreement (the "MSA") entered into by participating cigarette manufacturers (the "PMs"), 46 states (including the State) and six other U.S. jurisdictions in November 1998 in the settlement of certain smoking-related litigation, including the State's right to receive future initial, annual and strategic contribution payments (the "TSRs"), to be made by the PMs under the MSA.

The bonds, issued by the Authority in fiscal year 2006 in the par amount of $1.4 billion are payable through fiscal year 2046. The Authority has pledged, as the sole security for the bonds, 78% of the future TSRs payable under the terms of the Sales Agreement, investment earnings on certain accounts pledged under the bond indenture and amounts held in accounts established under the bond indenture (i.e. collection, debt service reserve, turbo redemption, etc.). As of June 30, 2013, total principal and interest remaining on the debt is $2,173.3 million with annual requirements ranging from $173.4 million in 2014 to $734.9 million in the final year. TSRs received by the State have averaged $59.1 million per year over the last 15 years. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were $52.2 million and $65.6 million, respectively.

The bonds are not a general obligation or general indebtedness of the Authority and do not constitute an obligation or indebtedness of the State or any political subdivision of the State. The State has no obligation or intention to satisfy any deficiency or default of any payment on the bonds.

Honey Creek Authority

The Honey Creek Authority (Authority) has issued Destination Park Revenue Bonds to provide financing for the development by the State of the Honey Creek Park (the "Park").

Pursuant to an Indenture of Trust among the Authority, the Iowa Department of Natural Resources, the Treasurer of the State of Iowa and Bankers Trust Company, N.A. (the "Trustee"), the State has pledged, as security for the bonds issued by the Authority, amounts sufficient to cover the principal and interest requirements on the Authority's debt consisting of net revenues from Honey Creek Park, if any, and the Debt Service Reserve Account (including any amounts appropriated by the State for the replenishment of the Debt Service Reserve Account to its required balance). The bonds, issued by the Authority in fiscal year 2007 for $33.4 million, are payable through fiscal year 2036. The Authority has pledged, as the sole security for the bonds, net revenues to be received under the Indenture, if any, and amounts in the Honey Creek Park fund and the Debt Service Reserve Account and all other moneys and securities pledged or assigned to the Trustee under the Indenture. During the year ended June 30, 2013, the Department of Natural Resources provided $2.0 million, on behalf of Honey Creek Park, to the Authority for payment of bond principal and interest. As of June 30, 2013, total principal and interest remaining on the debt is $52.6 million with annual requirements ranging from $2.1 million in 2014 to $2.3 million in the final year. Principal and interest paid by the Authority in the current year totaled $2.0 million.

The bonds are not an indebtedness of the State or a charge against the general credit or General Fund of the State and the State is not liable for the bonds except for amounts on deposit in the funds pledged to payment of the bonds. The bonds are not an obligation of the State or any political subdivision of the State.

IJOBS – 2009

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State and certain grant and loan programs of the State. The State has pledged a portion of future revenues to repay $601.1 million ($380.1 million in State of Iowa IJOBS Program Special Obligation Bonds Series 2009A and $221 million in State of Iowa IJOBS Program Special Obligation Bonds Taxable Series 2009B) of bonds issued in July 2009. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of $55 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The State has designated the Series 2009B Bonds as Build America Bonds under the American Recovery and Reinvestment Act of 2009, and as such, elected to receive from the federal government a subsidy equal to 35% of the amount of each interest payment on the taxable bonds. The bonds are

payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2034. Annual principal and interest payments on the bonds are expected to require less than 78% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2013, total principal and interest remaining to be paid on the debt is $987.5 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were $47.0 million and $60.3 million, respectively.

The bonds are limited special obligations of the State and do not constitute a debt or indebtedness of the State, nor any political subdivision of the State, or a pledge of the full faith and credit of the State or a charge against the general credit or General Fund of the State.

Iowa Utilities Board and Consumer Advocate State Building

The State of Iowa has issued Iowa Utilities Board and Consumer Advocate State Building Special Obligation Bonds, totaling $12.6 million, to finance the costs of construction of a new building. All amounts collected by the Iowa Utilities Board shall be deposited in accordance with Iowa Code Sections 476.10 and 476.10B as Chargeable Expenses in each fiscal year until the amount of deposit is equal to the amount of principal and interest on the bonds due in that fiscal year. The bonds are payable from the IUB/OCA Bond Fund and are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require 100% of total deposits into the IUB/OCA Bond Fund. As of June 30, 2013, total principal and interest remaining to be paid on the debt is $17.0 million. Principal and interest paid for the current year and total deposits into the IUB/OCA Bond Fund were $1.1 million and $1.1 million, respectively.

The bonds are not debts of the State or of any political subdivision of the State, and do not constitute a pledge of the faith and credit of the State or a charge against the general credit or General Fund of the State.

Prison Infrastructure

The State of Iowa has issued Special Obligation Bonds (Prison Infrastructure Fund) to finance the costs of the construction of a new Iowa State Penitentiary at Fort Madison, Iowa and to redeem the outstanding Iowa Prison Infrastructure Fund Revenue Bond Anticipation Notes, Series 2009. The State has pledged all funds deposited in the Prison Infrastructure Fund from fines, fees, costs, and forfeited bail collected by the clerks of the district court in criminal cases, including those collected for both scheduled and nonscheduled violations, but excluding fines and fees attributable to commercial vehicle violation citations issued after July 1, 1998, not reverting to the State's General Fund at the end of each fiscal year, plus interest earnings on moneys in the Prison Infrastructure Fund to repay $135.0 million in bonds issued in July 2010. The bonds are payable from the Debt Service Reserve Fund and are payable through fiscal year 2027. Annual principal and interest payments on the bonds are expected to require less than 42% of total deposits into the Prison Infrastructure Fund. As of June 30, 2013, total principal and interest remaining to be paid on the debt is $191.2 million. Principal and interest paid in the current year and total deposits into the Prison Infrastructure Fund were $6.5 million and $15.0 million, respectively.

The bonds are limited special obligations of the State. The bonds and interest thereon do not constitute nor give rise to a pecuniary liability, general obligation or a pledge of the full faith and credit of the State or any political subdivision of the State within the meaning of any constitutional or statutory limitation.

IJOBS – 2010

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State and certain grant and loan programs of the State. The State has pledged a portion of future revenues to repay $176.9 million ($151.3 million in State of Iowa IJOBS Program Special Obligation Bonds Series 2010A and $25.6 million in State of Iowa IJOBS Program Special Obligation Bonds Taxable Series 2010B) in bonds issued in October 2010. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of $55 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2038. Annual principal and interest payments on the bonds are expected to require less than 21% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2013, total principal and interest remaining to be paid on the debt is $279.4 million. Principal and interest paid in the current year and total deposits into the Revenue Bonds Debt Service Fund were $12.3 million and $60.3 million, respectively.

The bonds are limited special obligations of the State and do not constitute a debt or indebtedness of the State nor any political subdivision of the State, or a pledge of the full faith and credit of the State or a charge against the general credit or General Fund of the State.

Underground Storage Tank

The Iowa Finance Authority (Finance Authority) has issued serial bonds to finance the Underground Storage Tank Financial Responsibility Program. The program provides payment for remediation claims of contamination of ground water sites due to leakage, spill or release of petroleum products by owner/operators.

In a prior year, the Finance Authority defeased remaining revenue bonds by placing proceeds from existing resources in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Iowa Underground Storage Tank Fund Revenue Refunding Bonds, 2004 Series A. Accordingly, trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2013, bonds totaling $4.55 million are considered defeased.

Future bond debt service requirements of the Primary Government – Governmental Activities are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2014	$ 174,225	$ 95,276
2015	49,395	85,339
2016	46,130	82,910
2017	48,265	80,881
2018	50,515	78,652
2019-2023	253,240	355,036
2024-2028	237,170	295,864
2029-2033	226,835	234,414
2034-2038	373,970	132,353
2039-2043	135,120	78,081
Thereafter	725,920	28,568
Total	$2,320,785	$1,547,374

B. Primary Government – Business-type Activities

Universities

During the current year, the *University of Iowa* issued $190.0 million of Hospital Revenue Bonds, Series S.U.I. 2012, with an interest rate of 4% to defray the costs of constructing additions to the general hospital on the campus of the University. The revenues pledged to these bonds are charges to patients for medical services.

During the current year, the *University of Iowa* issued $29.0 million of Dormitory Revenue Bonds, Series S.U.I. 2012A, with an interest rate range of 3.00-3.12% to defray the cost of constructing various residence halls at the University. The revenues pledged to these bonds are fees paid by users of the residence halls' services.

In November 2012, the *University of Iowa* issued $26.8 million of Academic Building Revenue Bonds, Series S.U.I. 2012, with an average interest rate 2.99% and accrued interest of $42,000 to replace the $27.0 million Academic Building Revenue Flood Anticipation Note, Series S.U.I. 2009.

Net bond proceeds of $27.7 million were placed in an irrevocable escrow account with the University as trustee. The escrow account was sufficient to fully service all remaining principal and interest due on the bonds. The Academic Building Revenue Flood Anticipation Note, Series S.U.I. 2009 was paid on January 1, 2013.

During the current year, the *University of Iowa* issued $25.0 million of Parking System Revenue Bonds, Series S.U.I. 2013A, with an interest rate range of 2.00-3.25% to finance all or part of the cost of constructing, equipping and improving various parking facilities to be located on the campus of the University. The revenues pledged to these bonds are fees paid by users of the parking facilities.

During the current year, the *University of Iowa* issued $12.0 million of Parking System Revenue Refunding Bonds, Series S.U.I. 2013, with an average interest rate of 2.96% and accrued interest of $2,000 to advance refund $12.6 million of outstanding Parking System Revenue Bonds, Series S.U.I. 2004 with interest rates ranging between 4.25% and 5.00%.

Net bond proceeds of $13.0 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Parking System Revenue Bonds, Series S.U.I. 2004 will be called on July 1, 2014.

The advance refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1.9 million; and reduced the aggregate debt service payments by $2.1 million over the next 12 years.

During the current year, the *University of Iowa* issued $13.6 million of Utility System Revenue Refunding Bonds, Series S.U.I. 2013, with an average interest rate of 4.40% and accrued interest of $38,000 to advance refund $15.9 million of outstanding Utility System Revenue Bonds, Series S.U.I. 2004 with interest rates ranging between 3.12% and 4.75%.

Net bond proceeds of $15.5 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Utility System Revenue Bonds, Series S.U.I. 2004 will be called on November 1, 2013.

The advance refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1.9 million; and reduced the aggregate debt service payments by $2.1 million over the next 12 years.

In prior years, the *University of Iowa* defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2013, bonds totaling $68.1 million for the University of Iowa were considered defeased.

During the current year, *Iowa State University* issued $16.6 million of Dormitory System Revenue Refunding Bonds, Series I.S.U. 2013. $16.4 million of proceeds and $1.3 million of University funds were placed in an irrevocable trust to refund $16.4 million of Dormitory System Revenue Bonds, Series I.S.U. 2003. The advance refunding of these bonds permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $2.7 million, and reduced the aggregate debt service payments by $3.2 million over the next 16 years.

During the current year, *Iowa State University* issued $25.0 million of Dormitory System Revenue Bonds, Series I.S.U. 2013A, with an interest rate range of 1.00-3.25% to pay costs of constructing and furnishing dormitory system facilities. The revenues pledged to these bonds are net rents, profits and income from the Department of Residence facilities.

During the current year, *Iowa State University* issued $20.2 million of Memorial Union Revenue Refunding Bonds, Series I.S.U. 2013. $19.9 million of proceeds and $1.7 million of University funds were placed in an irrevocable trust to refund $19.2 million of Memorial Union Revenue Bonds, Series I.S.U. 2004. The advance refunding of these bonds permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $2.1 million, and reduced the aggregate debt service payments by $2.7 million over the next 17 years.

During the current year, *Iowa State University* issued $2.8 million of Regulated Materials Facility Revenue Refunding Bonds, Series I.S.U. 2013. $2.8 million of proceeds and $0.6 million of University funds were placed in an irrevocable trust to refund $3.1 million of Regulated Materials Facility Revenue Bonds, Series I.S.U. 2003. The current refunding of these bonds permitted the University to realize and economic gain (difference between present values of the old and new debt service payments) of $0.4 million, and reduced the aggregate debt service payments by $0.7 million over the next 6 years.

During the current year, *Iowa State University* issued $7.4 million of Utility System Revenue Refunding Bonds, Series I.S.U. 2013. $8.3 million of proceeds and $1.0 million of University funds were placed in an irrevocable trust to refund $8.6 million of Utility System Revenue Bonds, Series I.S.U. 2003. The advance refunding of these bonds permitted the University to realize and economic gain (difference between present values of the old and new debt service payments) of $1.1 million, and reduced the aggregate debt service payments by $1.5 million over the next 11 years.

During the current year, *Iowa State University* issued $5.3 million of Dormitory System Revenue Refunding Bonds, Series I.S.U. 2013B. $5.9 million of proceeds and $0.7 million of University funds were placed in an irrevocable trust to refund $6.0 million of Dormitory System Revenue Bonds, Series I.S.U. 2003A. The refunding of these bonds permitted the University to realize an economic gain (difference between present values of the old

and new debt service payments) of $0.6 million; and reduced the aggregate debt service payments by $0.7 million over the next 11 years.

During the current year, the *University of Northern Iowa* issued $5.1 million of Field House Revenue Refunding Bonds, Series U.N.I. 2013, with an average interest rate of 2.88% to currently refund the July 1, 2014 through July 1, 2024 maturities of Field House Revenue Bonds, Series U.N.I. 2004. Outstanding Series U.N.I. 2004 bonds totaled $5.5 million with interest ranging between 3.3% and 4.4%.

Net bond proceeds of $4.5 million and $1.1 million in University funds were deposited in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully pay the remaining principal and interest due on the outstanding bonds. The Field House Revenue Bonds, Series U.N.I. 2004 will be called on July 1, 2013.

The current refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $0.6 million; and reduced the aggregate debt service payments by $0.8 million over the next 10 years.

During the current year, the *University of Northern Iowa* issued $2.5 million of Student Health System Revenue Refunding Bonds, Series U.N.I. 2013, with an average interest rate of 2.08% to currently refund the July 1, 2014 through July 1, 2024 maturities of Student Health System Revenue Bonds, Series U.N.I. 2004. Outstanding Series U.N.I. 2004 bonds totaled $2.6 million with interest ranging between 3.3% and 4.4%.

Net bond proceeds of $2.2 million and $0.5 million in University funds were deposited in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully pay the remaining principal and interest due on the outstanding bonds. The Student Health System Revenue Bonds, Series U.N.I. 2004 will be called on July 1, 2013.

The current refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $0.3 million; and reduced the aggregate debt service payments by $0.4 million over the next 10 years.

Future bond debt service requirements for bonds of the Primary Government – Business-type Activities are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2014	$ 78,697	$ 67,139
2015	80,814	64,034
2016	82,229	61,935
2017	83,732	57,965
2018	86,352	55,097
2019-2023	440,894	227,742
2024-2028	424,726	143,526
2029-2033	297,627	66,639
2034-2038	169,965	18,057
Thereafter	16,225	450
Total	$ 1,761,261	$ 762,584

C. Component Units

Iowa Finance Authority

The Iowa Finance Authority (Finance Authority) is authorized and has issued bonds to provide affordable mortgage financing and to meet the 20% State match required for federal capitalization grants which are used to provide loans for construction of wastewater and drinking water facilities. The bonds are payable principally from repayments of such loans. The obligations do not constitute a debt of the State of Iowa and the State is not liable for any repayments.

The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, loans and other assets in the funds and accounts established by the respective bond resolutions.

The Single Family Mortgage Bond Resolutions, the Single Family Housing Bond Resolutions and the Multifamily Bond Indenture contain covenants which require the Finance Authority to make payments of principal and interest from amounts available in the Finance Authority's General Fund should deficiencies occur in the funds established for such payments by the respective bond resolutions. The Draw Down Bond Indenture under the Single Family Bond Program and the bond resolutions for the Clean Water Program Funds and Drinking Water Program Funds do not contain these covenants.

During the current fiscal year, the Finance Authority issued four new single family bond series totaling $85.2 million to refund prior bonds and to purchase mortgage-backed securities. The Finance Authority made bond payments of $315.1 million during the fiscal year.

Universities Foundations

Iowa State University Foundation in prior years issued $3,850,000 of bonds to purchase and remodel the Foundation Advancement Center building. The bonds are collateralized with a mortgage on the building and other real estate owned by the Foundation. In March, 2010, the bonds were refinanced under an amended agreement. The refinanced bonds have varying maturities through 2020 and have an interest rate of 4.75%. The Foundation has no taxing authority and bonds issued do not constitute a debt, liability or obligation of the State of Iowa or any political subdivision thereof.

Future bond debt service requirements for the bonds of the Component Units are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2014	$ 40,159	$ 47,562
2015	50,674	45,903
2016	55,064	43,834
2017	58,167	41,682
2018	59,525	39,582
2019-2023	320,411	162,415
2024-2028	340,310	94,454
2029-2033	232,675	36,389
2034-2038	127,445	16,396
2039-2043	91,549	7,830
Thereafter	15,000	12
Total	$ 1,390,979	$ 536,059

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2013, consisted of the following (expressed in thousands):

	Current	Noncurrent
PRIMARY GOVERNMENT		
Governmental activities		
Salaries & fringes	$ 48,541	$ -
Early retirement/termination benefits	31,731	36,169
Other postemployment benefits	-	85,794
Pension	-	62,990
Risk management	7,916	12,084
Pollution remediation	10,668	24,044
State aid	579,348	-
Trade & other payables	636,449	43,043
Total governmental activities	$ 1,314,653	$ 264,124
Business-type activities		
Salaries & fringes	$ 158,318	$ -
Early retirement/termination benefits	6,739	7,673
Other postemployment benefits	-	104,623
General claims	31,308	-
Unemployment benefits	19,598	-
Trade & other payables	197,751	23,712
Total business-type activities	$ 413,714	$ 136,008
COMPONENT UNITS		
Annuity & life income obligations	$ 377	$ 50,960
Lotto prizes & annuity prizes payable	4,582	4,769
Other	83,006	71,409
Total component units	$ 87,965	$ 127,138

Pollution Remediation Obligations

An estimate for pollution remediation obligations is recorded when the State knows or reasonably believes a site is polluted and when any one of the following events occurs: (1) the State is compelled to take remediation action because pollution creates an imminent endangerment to public health/welfare or the environment, (2) the State is in violation of a pollution prevention-related permit or license, (3) the State is named, or will likely be named, by a regulator as a responsible party or potentially responsible party for remediation, (4) the State is named, or will likely be named, in a lawsuit to compel it to participate in remediation or (5) the State commences or legally obligates itself to commence cleanup activities or monitoring/maintenance of remediation efforts.

For the year ended June 30, 2013, pollution remediation obligations totaled $34.7 million, including $33.3 million for the Iowa Petroleum Underground Storage Tank Program.

Leaking underground storage tanks meeting certain eligibility requirements are covered by the Iowa Petroleum Underground Storage Tank program. Statutory authority for this program is found in Chapter 455G of the Code of Iowa. The program was established to expend funds for remedial action and underground storage tank improvements. Estimated remediation outlays for leaking underground storage tanks are developed by groundwater professionals. The estimations are based on a range of expected outlays, net of expected cost recoveries, if any, for the type and amount of pollution contamination detected. All estimates for pollution remediation obligations are reviewed and adjusted periodically for price changes, additional contamination and any other changes detected.

The pollution remediation obligation does not include outlays for certain site cleanup activities or operation/maintenance costs because those outlays were not reasonably estimable.

The two matters discussed below were brought pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly known as “Superfund.” The potential liability is not reasonably estimable at this time.

The LWD Incinerator Site is a hazardous waste disposal site located in Kentucky. The State University of Iowa (SUI) received a demand letter regarding this site, alleging that SUI having contributed waste to the site, is a

potentially responsible party (PRP). The demand letter alleged that according to EPA's database SUI contributed 151,600 pounds of materials to the LWD Incinerator Site over the years covering 1983, 1986, and 1987. SUI General Counsel responded by letter, denying liability. A lawsuit was then filed in the Federal District Court in Kentucky against SUI and other potentially responsible parties, based upon the same claim involving the LWD Incinerator Site. The Attorney General's Office filed a motion to dismiss and included supporting brief in the case. The federal court did not dismiss the lawsuit, and the Attorney General's Office is planning to file a motion for summary judgment in the case.

The Marine Shale Processors Site was a hazardous waste disposal site located in Louisiana. The State University of Iowa (SUI) received a demand letter in September of 2012 from a group of PRPs at the site alleging that SUI is a PRP at the site and had shipped between 5 and 10 tons of materials to the Marine Shale Processors Site for disposal in 1991. SUI General Counsel responded by letter denying the liability on the part of the University of Iowa.

NOTE 12 – NET POSITION/GOVERNMENTAL FUND BALANCES

A. Net Position Restricted By Enabling Legislation

The Governmental Activities Statement of Net Position reports $1,085.0 million of Restricted Net Position, of which $15.4 million is restricted by enabling legislation.

B. Governmental Fund Balances

Fund balances for governmental funds are to be reported in classifications that comprise a hierarchy based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to remain intact. *Restricted* fund balances are reported when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. *Committed* fund balance amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the State's highest level of decision making authority. The Iowa Legislature and Governor represent the State's highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation. *Unassigned* fund balance is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The nonspendable and spendable fund balances for governmental funds at June 30, 2013, are as follows (expressed in thousands):

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
NONSPENDABLE					
Inventory & prepaid	$ 43,138	$ -	$ -	$ 297	$ 43,435
Permanent fund principal	-	-	-	16,079	16,079
Total nonspendable	43,138	-	-	16,376	59,514
SPENDABLE					
Restricted:					
Roads	657,872	-	-	-	657,872
Debt service	106,183	494,501	-	28,963	629,647
Infrastructure	80,515	-	-	3,467	83,982
Farm to market road system	54,924	-	-	-	54,924
Tourism	23,659	-	-	-	23,659
Higher education	-	-	-	22,773	22,773
Bridges	10,252	-	-	-	10,252
Consumer education	9,728	-	-	-	9,728
Public health	6,111	-	-	-	6,111
IOWACARE	5,707	-	-	-	5,707
Federal mortgage settlement	4,984	-	-	-	4,984

(continued on next page)

(continued)	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
SPENDABLE					
Restricted:					
Medicaid	4,888	-	-	-	4,888
Public television	4,598	-	-	8,357	12,955
Underground storage tanks	4,038	-	-	-	4,038
Technology	3,817	-	-	-	3,817
Special schools	-	-	-	8,525	8,525
Other:					
Transportation	13,895	-	-	-	13,895
Education	9,153	-	-	843	9,996
Health & human rights	5,933	-	-	712	6,645
Justice & public defense	4,859	-	-	287	5,146
Human services	3,892	-	-	20	3,912
Administration & regulation	1,713	-	-	2,211	3,924
Economic development	1,140	-	-	-	1,140
Agriculture & natural resources	66	-	-	43	109
Total restricted	1,017,927	494,501	-	76,201	1,588,629
Committed:					
Administration & insurance reserves	1,000,189	-	-	-	1,000,189
Cash reserve	466,934	-	-	-	466,934
Economic emergency	146,868	-	-	-	146,868
Infrastructure	120,523	-	-	11,690	132,213
K - 12 education	67,977	-	-	-	67,977
Tax relief	60,072	-	-	-	60,072
Technology	21,926	-	-	1,046	22,972
Agriculture	18,798	-	-	6,194	24,992
Higher education	18,508	-	-	1,093	19,601
Natural resources	15,401	-	-	-	15,401
Debt service	13,517	-	-	-	13,517
Fish & wildlife	12,551	-	-	-	12,551
Emergency 911 services	11,420	-	-	-	11,420
Groundwater protection	11,159	-	-	-	11,159
Recreational facilities	9,163	-	-	-	9,163
Medical assistance	8,851	-	-	2,075	10,926
Unclaimed property	5,070	-	-	-	5,070
Other:					
Administration & regulation	34,422	-	-	2,678	37,100
Human services	27,816	-	-	604	28,420
Agriculture & natural resources	20,021	-	-	313	20,334
Justice & public defense	21,343	-	-	709	22,052
Economic development	13,958	-	-	-	13,958
Education	7,364	-	-	69	7,433
Transportation	6,901	-	-	1,865	8,766
Health & human rights	5,228	-	-	10	5,238
Total committed	2,145,980	-	-	28,346	2,174,326
Unassigned	(156,800)	-	(410,595)	(24)	(567,419)
TOTAL FUND BALANCES	**$ 3,050,245**	**$ 494,501**	**$ (410,595)**	**$ 120,899**	**$ 3,255,050**

Stabilization Arrangements (Reserve Funds)

The State maintains two reserve funds: the Cash Reserve Fund and the Iowa Economic Emergency Fund. These funds were established by formal action of the highest level of decision making authority as they were created by legislation passed by both the House and Senate of the Legislature and signed by the Governor. The law restricts the use and purpose of each fund. Formal action is required to use resources in the funds, modify their purpose or change the balances of the funds. Fund balances for both funds are included in the *committed* spendable fund balance classification.

The **Cash Reserve Fund** is separate from the General Fund of the State and is not to be considered part of the General Fund of the State except in determining the cash position of the State. The moneys in the Cash Reserve Fund cannot be transferred, used, obligated, appropriated or otherwise encumbered except as provided under

Iowa Code section 8.56. Interest or earnings on moneys deposited in the Cash Reserve Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that moneys so allocated are returned to the Cash Reserve Fund by the end of each fiscal year. The maximum balance of the fund is equal to 7.5% of the adjusted revenue estimated for the General Fund of the State for the current fiscal year. The moneys in this fund may only be appropriated by the General Assembly for nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. The balance in the Cash Reserve Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

The **Iowa Economic Emergency Fund** is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa Economic Emergency Fund is equal to the maximum balance, moneys in excess of this amount shall be distributed as follows: (1) the first sixty million dollars of the difference between the actual net revenue for the General Fund of the State and the adjusted revenue for the fiscal year shall be transferred to the Taxpayers Trust Fund established in Iowa Code section 8.57E; (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State. The moneys in this fund may be appropriated by the General Assembly for emergency expenditures; and there is appropriated to the Executive Council an amount sufficient to pay expenses authorized by the Executive Council in Iowa Code section 7D.29. However, except as provided in Iowa Code section 8.58, the balance in the Iowa Economic Emergency Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund established in Iowa Code section 8.57.6.

Minimum Fund Balance Requirements

Currently, the State has six governmental funds which are required by statute, federal regulations or bonding requirements to maintain minimum fund balances. However, the State does not have a formally adopted policy regarding minimum fund balances.

NOTE 13 – OPERATING LEASES

The State has leased office space and equipment. These leases have been classified as operating leases and expire before June 30, 2042. In most cases, management expects the leases will be renewed or replaced by other leases.

A. Primary Government

Governmental Activities

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,	
2014	$ 11,659
2015	10,597
2016	8,305
2017	5,349
2018	2,768
2019-2023	3,168
2024-2028	438
2029-2033	326
2034-2038	345
Thereafter	216
Total	$ 43,171

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the Legislature. Minimum payments have not been reduced by minimum sublease rentals of $1,334,004.

Rental expense for the year ended June 30, 2013 for all operating leases, except those with terms of a month or less that were not renewed, totaled $14,018,567. Rental expense has not been adjusted for sublease rentals totaling $355,672 for the year ended June 30, 2013.

Business-type Activities

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,	
2014	$ 14,972
2015	9,913
2016	6,077
2017	3,857
2018	1,926
2019-2023	6,210
2024-2028	1,962
Thereafter	154
Total	$ 45,071

Minimum payments have not been reduced by minimum sublease rentals of $35,505.

Rental expense for the year ended June 30, 2013 for all operating leases, except those with terms of a month or less that were not renewed, totaled $16,614,512. Rental expense has not been adjusted for sublease rentals totaling $180,220 for the year ended June 30, 2013.

B. Component Units

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,	
2014	$ 1,097
2015	1,001
2016	920
2017	305
Total	$ 3,323

Rental expense for the year ended June 30, 2013 for all operating leases, except those with terms of a month or less that were not renewed, totaled $1,175,528.

NOTE 14 – LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes valued at $10,612,191. Glenwood Resource Center leases building space valued at $4,622,860. Iowa Public Television leases antenna and building space, the Iowa Department of Workforce Development leases building space, and Iowa Communications Network leases fiber optic cables, for which no value has been assigned to the leased portions. The Iowa Department of Transportation leases land valued at $1,670,294. Iowa State University leases building space valued at $826,455 (net of accumulated depreciation of $228,854), tower space valued at $407,414 (net of accumulated depreciation of $90,474), equipment with an original value of $616,281 and tracts of land for agricultural purposes valued at $107,574. The University of Northern Iowa leases buildings valued at $920,727 (net of accumulated depreciation of $409,505), tower space and tracts of land for agricultural purposes valued at $523,155. The Iowa Braille & Sight Saving School leases buildings valued at $3,511,398 (net of accumulated depreciation of $1,601,457).

The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2013 (expressed in thousands):

Year Ending June 30,		
2014	$	4,741
2015		3,826
2016		2,581
2017		1,694
2018		1,351
2019-2023		1,676
2024-2028		722
Thereafter		61
Total	$	16,652

NOTE 15 – PENSION PLANS

A. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Iowa Public Employees' Retirement System (IPERS), Peace Officers' Retirement, Accident and Disability System (PORS) and the Judicial Retirement System (JRS) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits, refunds and annuities are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

IPERS – All investments are reported at fair value. The determination of fair value is generally based on published market prices and quotations from major investment brokers. Investments not having quoted market prices have been valued based on yields and maturities currently available on comparable securities of similar issue. Fair values for real estate investments are based on periodic assessments or appraisals of the underlying investments. Futures contracts are valued daily with the resulting adjustment recorded as realized gains/losses arising from the daily settlement of the variation margin. Private equities are valued based on March 31 net position values plus or minus purchases, sales and cash flows from April 1 through June 30 of the reporting year.

The System has no investment in any specific stock or bond issues of any commercial or industrial organization, other than the U.S. government and its instrumentalities, whose fair value exceeds 5% of the plan net position available for benefits.

PORS and JRS – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. For JRS, the fair value of real estate investments is based on independent appraisals.

PORS' and JRS' investments in governmental bonds and treasury notes constitute approximately 7.52% and 17.87%, respectively, of net position held in trust for pension benefits. PORS and JRS are not permitted to invest more than 4.90% and 5.00%, respectively, of their System accounts in any one corporate issuer without written direction and approval of the Treasurer of State of Iowa.

B. Plan Descriptions, Contribution Information and Funding Policy

Membership of each plan consisted of the following at June 30, 2013:

	IPERS	PORS	JRS
Retirees and beneficiaries receiving benefits	104,933	555	191
Terminated members with deferred benefits	-	46	7
Active vested	120,496	575	145
Active nonvested	44,599	24	57
Inactive vested	32,666	-	-
Inactive nonvested	39,958	-	-
	342,652	1,200	400
Number of participating employers	2,147	1	1

Iowa Public Employees' Retirement System (IPERS)

Plan Description. IPERS, a public employee retirement system, was created in 1953 by the Iowa Legislature. IPERS benefits are established under Chapter 97B of the Iowa Code.

IPERS is a cost-sharing, multiple-employer, contributory defined benefit public employee retirement system. Participation in IPERS is mandatory for most state, county and local public employees, employees of school districts and certain elected officials. Membership is optional for some individuals, including the members of the Iowa Legislature. Members of other retirement systems supported by Iowa public funds are excluded from membership.

	June 30, 2013
Employer members:	
City	1,051
Education	378
County	346
Utilities	134
Health	67
State	22
Other	149
Total	2,147

A member may retire at age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's age plus years of service equals or exceeds 88. A member may take early retirement with reduced benefits. At retirement, a member chooses one of six benefit options.

Before July 1, 2012, a member who leaves covered employment after completing at least four years of covered service or has attained the age of 55 while making contributions to the plan has vested rights to IPERS benefits. Starting July 1, 2012, a member who completes seven years of covered service or has reached the age of 65 while in IPERS covered employment is vested.

IPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117, at info@ipers.org, or by calling 515-281-0020.

A valuation of the liabilities and reserves of the IPERS Trust Fund is performed annually by IPERS' actuary in accordance with Iowa Code Section 97B.4(4)(d). The actuary also calculates an actuarial contribution rate for each membership group, which is the contribution rate necessary to fully fund the benefits provided under Iowa Code chapter 97B.

IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is

determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

Although the actuarial contribution rates are calculated each year, the required contribution rates for the Regular membership were set in law through June 30, 2012. From FY2002 through FY2013, the rate required was less than the actuarial rate, in spite of rate increases passed by the Iowa Legislature in 2006 and 2010. Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point.

In fiscal year 2013, the required rate for regular members remained lower than the actuarial rate. Pursuant to the required rate, Regular members contributed 5.78% of pay and their employers contributed 8.67% for a total rate of 14.45%. The actuarial rate was 14.77%.

Iowa statute authorizes the required contribution rate for certain members and employers engaged in law enforcement, fire safety and protection occupations to be set to the actuarial contribution rate. Therefore, these groups have consistently paid the rate needed to fully fund their benefits.

	Contribution Rates as of June 30, 2013		
	Employee	Employer	Total
Regular	5.78%	8.67%	14.45%
Special services group # 1 *	9.90%	9.90%	19.80%
Special services group # 2 **	6.84%	10.27%	17.11%

* - Includes sheriffs and deputies.

** - Includes all other protection occupation members.

Contributions are remitted by participating employers. Wages were covered up to the federal limit of $255,000 for calendar year 2013.

The amount of the actuarially determined employer contribution requirement was $614,846,608. The total amount of employer contributions made during the fiscal year ended June 30, 2013, was $602,444,103 resulting in a 98.0% funding ratio. The difference between the actuarially required employer contributions and actual employer contributions made is due entirely to statutory contribution requirements that differ from the actuarially required contribution rate.

The following table provides a schedule of the actuarially required employer contributions and the percentage actually contributed to IPERS for the last three fiscal years:

Year Ended June 30,	Actuarially Required Contributions	Percentage Contributed
2011	$ 568,397,561	82.3%
2012	568,389,507	98.2%
2013	614,846,608	98.0%

Peace Officers' Retirement, Accident and Disability System (PORS)

Plan Description. PORS was created under Chapter 97A of the Code of Iowa to provide retirement and other benefits for the peace officers of the Iowa Department of Public Safety. The Peace Officers' Retirement, Accident and Disability System is the administrator of the single-employer defined benefit public employee retirement system.

A member may retire with a service allowance after completing 22 years of creditable service and attaining the minimum service retirement age of 55. Plan benefits include: service retirement benefits, ordinary disability retirement benefits, accidental disability benefits, ordinary death benefits, accidental death benefits and line of duty death benefits.

A member leaving covered employment before attaining retirement age but after completing at least four years of covered service is entitled to receive a service retirement allowance upon attaining the minimum service retirement age provided his or her accumulated contributions have not been withdrawn.

PORS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Iowa Department of Public Safety Peace Officers' Retirement System, Public Safety Building, Des Moines, IA 50319.

Contributions and Funding Policy. The contributions to the System are made pursuant to Chapter 97A of the Code of Iowa and are not based upon actuarial determinations.

Member contribution rates are established by statute at 10.35% of covered payroll. HF 2518 enacted by the 2010 Legislature changed the scheduled contribution rates for both the employee and employer. Employee contributions are scheduled to increase by one-half of one percent each year for four years beginning at 9.35% in fiscal 2011 and peaking at 11.35% on July 1, 2014. This is deducted from the member's salary and remitted by the employer.

The employer rate for plan year 2013 is 27%. The employer rate is scheduled to increase by 2% each year until reaching 37% in the year beginning July 1, 2017. The State of Iowa will also begin contributing an additional $5 million each year, beginning July 1, 2013, until the funded status of the System attains 85%. Contribution provisions are established by State law and may be amended only by the State Legislature. The State has historically followed a contribution policy of appropriating funds based upon a percentage of the current salaries for which funds are appropriated.

The member contribution required and contributed was $4,512,096, representing 10.35% of the current year covered payroll. The State contribution required by statute and the amount actually contributed was $11,777,661. Costs of administering the plan are financed through employer contributions and investment income.

Judicial Retirement System (JRS)

Plan Description. The JRS is the administrator of a single-employer defined benefit public employee retirement system.

The JRS was established to provide pension benefits to judges serving on the Supreme Court, District Courts and the Court of Appeals.

Pursuant to Chapter 602 of the Code of Iowa, a member who has a total of at least four years of service as a judge of one or more of the above courts and is at least 65 years of age or who has served 20 years of consecutive service as a judge of one or more of the above courts and has attained the age of 50 years shall qualify for an annuity. The annual annuity of a judge under this System is an amount equal to 3.25% of the judge's average annual basic salary for the judge's highest three years as a judge multiplied by the judge's years of service or, for a member who meets the definition of a senior judge under Chapter 602.9202 of the Code of Iowa, 3.25% of the basic senior judge salary multiplied by the judge's years of service, limited to a specified percentage of the highest basic annual salary or basic senior judge salary, as applicable, which the judge is receiving or had received as of the time the judge or senior judge became separated from service. The specified percentage is as follows: (1) 50% for judges who retired prior to July 1, 1998; (2) 52% for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000; (3) 56% for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001; (4) 60% for judges who retire and receive an annuity on or after July 1, 2001 but before July 1, 2006; and (5) 65% for judges who retire and received an annuity on or after July 1, 2006. Any member who has served as a judge for a total of four years or more and is deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.

Beginning July 1, 2010, judges contribute to the system at the rate of 9.35% multiplied by the basic salary of the judge. Beginning July 1, 2008, and for each subsequent fiscal year until the System attains fully funded status, the State contributes an amount equal to 30.6% of the basic salary of all covered judges. Commencing with the first fiscal year in which the System attains fully funded status, and for each subsequent fiscal year, the State contribution shall be equal to 60% of the required contribution rate.

The JRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Judicial Retirement System, Iowa Judicial Branch, 1111 East Court Avenue, Des Moines, IA 50319.

Contributions and Funding Policy. The contributions to JRS are made pursuant to Section 602.9104 of the Code of Iowa and are not based upon actuarial determinations.

The member contribution required and contributed was $2,459,805, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount contributed was $8,050,254. The State share is to be based on 30.6% of actual salaries. Costs of administering the plan are financed through State appropriation, member contributions and investment income.

C. Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation to PORS and JRS for the current year were as follows:

	PORS	JRS
Annual required contribution	$ 18,785,849	$ 8,085,627
Interest on net pension obligation	3,123,201	1,221,185
Adjustment to annual required contribution	(2,464,239)	(1,594,942)
Annual pension cost	19,444,811	7,711,870
Contributions made	11,777,661	8,050,254
Increase (decrease) in net pension obligation	7,667,150	(338,384)
Net pension obligation beginning of year	39,040,010	16,620,857
Net pension obligation end of year	$ 46,707,160	$ 16,282,473

Three-year trend information:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Peace Officers' Retirement, Accident and Disability System			
2011	$ 15,666,594	60.98%	$ 32,315,752
2012	17,465,462	61.50%	39,040,010
2013	19,444,811	60.57%	46,707,160
Judicial Retirement System			
2011	$ 7,797,637	103.90%	$ 16,804,634
2012	8,031,891	102.29%	16,620,857
2013	7,711,870	104.29%	16,282,473

D. Funded Status and Funding Progress

The funded status of each plan as of June 30, 2013, is as follows (expressed in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
IPERS	$ 24,711,096	$ 30,498,342	$ 5,787,246	81.02%	$ 6,880,131	84.12%
PORS	319,442	498,469	179,027	64.08%	43,985	407.02%
JRS	127,353	178,725	51,372	71.26%	28,278	181.67%

* For purposes of this schedule, the AAL for each plan is determined using the entry age actuarial cost method.

The PORS uses the aggregate actuarial cost method to calculate its annual required contribution (ARC). However, the current year funded status information was calculated using the entry age actuarial cost method because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The entry

age actuarial cost information for PORS is intended to serve as a surrogate for the funded status and funding progress of the plan.

The Schedules of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Additional information as of the latest actuarial valuation follows:

	IPERS	PORS	JRS
Actuarial valuation date	June 30, 2013	July 1, 2013	July 1, 2013
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Method used to determine actuarial value of assets	Smoothing method - expected value at the valuation date plus 25% of the difference between the market value and expected value. The actuarial value must fall within a corridor of 80% - 120% of market value.	Smoothing method - spreads the difference between the actual return and expected return over four years.	Smoothing method - expected value plus 25% of the difference between the actual and expected value.
Amortization method	Open period, level percent of pay	Closed period, level percent of pay	Level dollar, closed basis
Amortization period	30 years* (open method); moving to a closed 30 year period in 2014	30 years (closed)	25 years (closed); each year subsequent changes are amortize over a new, closed 25 year period
Rate of investment return	7.50%	8.00%	7.50%
Projected salary increases	4.00% - 17.00% depending upon years of service	7.25% for the first fourteen years, 6.50% for years fifteen through nineteen, 5.25% for year twenty, and 4.25% thereafter	4.50%
Inflation rate	3.25% for prices, 4.00% for wages	3.75% payroll growth	3.25%

* GASB Statement No. 25 states that, beginning in fiscal year 2006, the maximum acceptable amortization period for the total unfunded actuarial liability is 30 years. IPERS' funding policy also provides for a maximum amortization period of 30 years.

F. Teachers Insurance and Annuity Association Retirement Program

The Universities, Board of Regents, the Iowa Braille and Sight Saving School and the Iowa School for the Deaf contribute to the Teachers Insurance and Annuity Association (TIAA) retirement program. These institutions, by contributing to TIAA, participate in a defined contribution retirement plan. The provisions and contribution requirements for TIAA are established by the Board of Regents.

A defined contribution retirement plan provides retirement benefits in return for services rendered, provides individual annuities for each plan participant and specifies how contributions to an individual's annuity are to be determined instead of specifying the amount of benefits the participant is to receive. Under a defined contribution retirement plan, the benefits a participant will receive depend solely on the amount contributed to the participant's annuity and the returns earned on investments of those contributions. As required by the Iowa State Board of Regent's policy, all eligible employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately, except at Iowa State University where employer contributions vest after three years. As specified by the contract agreement with TIAA, each employee through the fifth year of employment contributes 3.33% of the first $4,800 of earnings and 5.00% on the balance of earnings. The employer through the fifth year of employment contributes 6.67% of the first $4,800 of earnings and 10.00% on earnings above $4,800. Upon completion of five years of service, the participant contributes 5.00% and the employer contributes 10.00% on all earnings.

During fiscal year 2013, the employers' contributions amounted to $149,904,090. Employees' contributions amounted to $74,811,838.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

A. State Plan

Plan Description

The State of Iowa provides access to postretirement medical benefits to all retirees as required by Chapter 509A.13 of the Code of Iowa. Although the retirees generally must pay 100% of the premium rate, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), requires that employers recognize the Implicit Rate Subsidy that exists in postretirement medical plans provided by governmental employers.

The Implicit Rate Subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate higher claims on average than active participants. When a medical plan is self-insured or fully insured through a third-party administrator, a premium is usually determined by analyzing the claims of the entire population in the plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower; therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion or all of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the Implicit Rate Subsidy.

The State operates a single-employer retiree benefit plan which provides medical insurance benefits for retirees. There are 26,190 active and 3,337 retired participants in the plan. The State currently offers five self-insured plans which are available to participants through Wellmark Blue Cross Blue Shield: Program 3 Plus, Deductible 3 Plus, Iowa Select, Blue Access and Blue Advantage.

Funding Policy

The contribution requirements of the plan participants are established and may be amended by the State Legislature. The State currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the State, an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the State's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the State's net OPEB obligation:

Annual required contribution	$	26,050,000
Interest on net OPEB obligation		4,518,000
Adjustment to annual required contribution		(6,163,000)
Annual OPEB cost		24,405,000
Contributions made		(10,142,000)
Increase in net OPEB obligation		14,263,000
Net OPEB obligation beginning of year		100,396,000
Net OPEB obligation end of year	$	114,659,000

The State's plan includes AFSCME employees of the Universities. The portion of the fiscal year 2013 net OPEB obligation related to those employees is $26.4 million. The State plan also includes $1.3 million of the fiscal year 2013 net OPEB obligation allocated to the State's discretely presented component units and fiduciary funds.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2013.

For fiscal year 2013, the State contributed $10.1 million to the medical plan. The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2013 and the two preceding fiscal years are summarized as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2011	$ 39,967,000	43.17%	$ 78,411,000
2012	41,437,000	46.94%	100,396,000
2013	24,405,000	41.56%	114,659,000

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $233.2 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $233.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $1,751.0 million and the ratio of the UAAL to the covered payroll was 13.3%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012, actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.0% inflation rate and a 4.5% discount rate based on the estimated long-term investment yield on the general assets of the State. Medical trend rates were developed using a combination of a trend survey and the SOA-Getzen trend rate model. Initial trend rates start at 7.8% (managed care plans) or 8.4% (non-managed care plans) in 2012 and grade down to an ultimate rate of 5.0% beginning in the year 2029. For the years 2012 through 2017, the rates are based on survey data and client market expectations. The SOA-Getzen model was then used to determine the trend rates between the years 2018 and thereafter, based on reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Mortality rates are from the RP-2000 Healthy Combined Mortality Table with generational improvements using projection scale AA for pre-retirement males set back 3 years, pre-retirement females set back 8 years, post-retirement males set forward 1 year, and post-retirement females set back 1 year with a 5.0% decrease above age 75. The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System. For this reason, the mortality rates, withdrawal, retirement and age of spouse assumptions are based on the assumptions used for the Iowa Public Employees' Retirement System Actuarial Valuation Report as of June 30, 2012. The plan participation assumption is based upon the recent experience of the State of Iowa Postretirement Medical Plan.

The UAAL is being amortized on a level dollar open basis over 30 years.

B. University Funds

Plan Description

The University of Iowa, Iowa State University and the University of Northern Iowa (the Universities) operate single employer benefit plans which provide medical, dental and life insurance benefits for retirees and their spouses. Detailed plan description information is available in the Universities' separately issued financial reports. These

reports may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

Funding Policy

The contribution requirements of the plan participants are established and may be amended by the Universities. The Universities currently finance the retiree benefit plans on a pay-as-you-go basis. For fiscal year 2013, the Universities contributed $15.9 million to the plan and members receiving benefits contributed $9.4 million of the premium cost.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Universities' annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plans and changes in the Universities' net OPEB obligation:

Annual required contribution	$	30,641,000
Interest on net OPEB obligation		3,655,000
Adjustment to annual required contribution		(3,406,000)
Annual OPEB cost		30,890,000
Contributions made		(15,862,000)
Increase in net OPEB obligation		15,028,000
Net OPEB obligation beginning of year		62,026,000
Net OPEB obligation end of year	$	77,054,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuaries as the cumulative difference between the actuarially determined funding requirements and the plans' actual contributions for the year ended June 30, 2013.

The Universities' annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for fiscal year 2013 and the preceding two fiscal years are summarized as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2011	$ 27,548,000	55.69%	$ 47,573,000
2012	29,236,000	50.57%	62,026,000
2013	30,890,000	51.35%	77,054,000

Funded Status and Funding Progress

As of the most recent actuarial valuation for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $293.2 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $293.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $1,349.1 million and the ratio of the UAAL to the covered payroll was 21.7%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Information from the Universities' latest actuarial valuations follows:

	University of Iowa	Iowa State University	University of Northern Iowa
Actuarial valuation date	July 1, 2012	July 1, 2011	July 1, 2012
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percentage of projected payroll	Level dollar	Level percentage of projected payroll
Amortization period	Open basis over 30 years	Open basis over 30 years	Open basis over 30 years
Rate of investment return	7.50%	4.00%	4.50%
Medical trend rate	8.00%	7.50%	9.50%
Ultimate medical trend rate	Reduced 0.50% each year until reaching 5.00%	Reduced 0.50% each year until reaching 5.00%	Reduced 0.50% each year until reaching 5.00%
Inflation rate	2.50%	2.50%	5.00%
Payroll growth rate	3.50%	n/a	3.50%

NOTE 17 – OTHER TERMINATION BENEFITS

A. State Employee Retirement Incentive Program

On February 10, 2010, the Governor signed into law a state employee retirement incentive program (SERIP) for eligible executive branch employees. Eligible employees include employees of the Executive branch, a Judicial District of the Department of Correctional Services, the State Fair Board, the State Board of Regents if the Board elects to participate in the program, and the Department of Justice. To be eligible, an employee must have been employed on February 10, 2010, be age 55 or older on July 31, 2010 and have submitted an application by the employee's last day of employment to the Iowa Public Employees' Retirement System to begin monthly retirement benefits by July 2010. In addition, employees must have filed a SERIP application on or before April 15, 2010 and terminated employment no later than June 24, 2010. The law also provided for the Legislative and Judicial branches of government to provide a retirement program consistent with the program for the Executive branch employees. The Board of Regents and the Judicial branch did not participate in the program.

Participants in the SERIP will receive the following incentives:

1) Unused sick leave – A cash payment of the monetary value of the participant's accrued sick leave balance, not to exceed $2,000. The payment is calculated by multiplying the number of hours of accrued sick leave by the participant's regular hourly rate of pay at the time of retirement. This payment was made in fiscal year 2010 on the participant's last pay check.

2) Health insurance – A minimum of 5 years of state contributions toward the premiums of a state-sponsored health insurance plan, either through the Sick Leave Insurance Program (SLIP), SERIP or a combination of both programs.

3) Years of service incentive – Cash payments, including the entire value of the participant's accrued but unused vacation leave, and, for participants with at least 10 years of state employment, $1,000 for each year of state employment, up to 25 years of employment. The total years of service incentive shall be paid in five equal installments beginning in September 2010 and ending in 2014.

In the event a SERIP participant dies within 5 years of termination of employment, the participant's beneficiary will receive any remaining years of service incentive payments. If the participant's surviving spouse is covered on the participant's state retiree health insurance plan, the surviving spouse may elect to continue health insurance coverage and will receive any remaining health insurance contributions under SERIP. If the surviving spouse was not covered by the participant's insurance plan, or if there is no surviving spouse, any remaining health insurance contribution benefits are forfeited.

Participants in SERIP are not eligible to accept any further employment with the State, other than as an elected official or a member of a board or commission, from the date of termination of employment. Participants may not enter into contracts to provide services to the State as independent contractors or consultants.

SERIP is financed on a pay-as-you-go basis by the department from which the employee retired. Amounts due for the program have been recorded as liabilities in the government-wide financial statements. The liability for the expected future health insurance benefits at June 30, 2013 is $28.7 million. This was calculated by increasing the insurance premiums in effect at June 30, 2013 for the annual medical trend rates for fiscal years 2014 thru 2020. The annual medical trend rates range from 7.9% in 2014 to 6.8% in 2020. The liability for the years of service incentive installment payments at June 30, 2013 is $25.7 million.

For the year ended June 30, 2013, SERIP costs for 2,067 participants totaled $28.4 million.

B. Board of Regents Retirement Incentive Options

At its March 2009 meeting, the Board of Regents approved the first of three Retirement Incentive Option (RIO) programs, RIO1. The second and third programs, RIO2 and RIO3, were subsequently approved at its October 2009 and April 2010 meetings, respectively. Faculty, professional and scientific employees, merit system employees, and institutional officials who accumulate ten years of service with the Universities and who attain the age of 60 (RIO1), 57 (RIO2), and 55 (RIO3) by the date of retirement are eligible for participation. These programs are one-time programs with retirement required to occur no later than January 31, 2010, July 30, 2010, and December 31, 2010, respectively.

Upon retirement, the participant will be provided health and dental coverage for a period of up to five years with the Universities providing both the employee and employer share of contributions not to exceed the employee and spouse/domestic partner rate for the Universities' professional plans and not to exceed the employee and family rate for the State of Iowa plans. Eligible employees who elect the incentive and reach Medicare eligibility during the incentive period will be allowed to continue in the incentive with the contributions reduced to integrate with Medicare eligibility. For RIO3, the participant may choose to receive continued annuity (Defined Contribution Plan only) contributions for a period of up to five years in lieu of the continued medical/dental coverage. The annuity benefit is equal to the Universities' contribution level during active employment of 10% and based on the participant's full budgeted salary at the time of retirement. Term life insurance benefits are fully insured for eligible retirees and are paid for directly by the life insurance carrier. The Universities pay a stated premium based on the value of the policy (which is $4,000) directly to the carrier. The stated premium rate is the same as the premium rate for the active employer life coverage in effect during the fiscal year.

At its April 2010 meeting, the Board of Regents approved the Phased Plus Retirement Program. Faculty, professional and scientific, merit system employees, and institutional officials who had accumulated ten years of service with Iowa State University who attained the age of 55 at the time of initial reduction of employment were eligible for participation in the Phased Plus Retirement Program. This is a one-time program with the maximum phasing period of two years with full retirement required at the end of the specified phasing period. At no time during the phasing period may an employee hold less than a 50% or greater than a 65% appointment. Phased retirement period is required to occur no later than January 1, 2012. At the end of the appointment, the employee would have the option of medical coverage or employer-paid retirement contributions for the balance of five years once phased retirement has begun, with the same stipulations as the RIO3 program.

The Board of Regents Institutions' contributions for the fiscal year ended June 30, 2013, totaled $8.4 million for 986 participants of RIO1, RIO2, RIO3 and the Phased Plus Retirement Program.

C. State Police Officers Council

The State Police Officers Council (SPOC) Collective Bargaining Agreement provides upon retirement, including disability retirement, credit for all unused sick leave.

Accumulated unused sick leave in both the active and banked sick leave accounts shall be converted at current value and credited to the employee's account for the purpose of paying the cost of the monthly premiums of a health insurance and/or life insurance policy.

Upon written authority from or upon the death of a retired employee, or upon the death of an active employee, the spouse or the surviving spouse shall be entitled to the value of the sick leave bank in both the active and banked sick leave accounts as converted in the previous paragraph for the purpose of paying the cost of monthly premiums of the health insurance and/or life insurance policy for the employee's spouse or dependents.

If the carrier of either the health or life insurance policy is not a current contracted carrier with the State of Iowa, SPOC or any of its suborganizations, the employee or spouse shall be eligible for reimbursement of a premium payment to that carrier upon submission of proof of payment. If there is dissolution of marriage or divorce, it is the employee's responsibility to withdraw their authority.

The benefits are funded on a pay-as-you-go basis for Department of Public Safety retirees and are fully funded for Department of Natural Resources retirees.

For the year ended June 30, 2013, 226 SPOC retirees received benefits totaling $1.1 million.

D. Other Voluntary Termination Benefit Programs

Voluntary termination benefit programs have been established through collective bargaining for Executive branch AFSCME and IUP employees, Judicial branch AFSCME and PPME employees and Community Based Corrections employees. The programs are also offered to Executive branch non-contract employees, Judicial branch non-contract employees, Legislative employees and Community Based Corrections non-contract employees, except for judicial officers. The programs allow employees who are eligible upon a bona fide retirement to use the value of their unused sick leave to pay the employer share of the monthly premium of the State's group health insurance plan after their retirement.

Upon retirement, employees shall first receive cash payment for accumulated, unused sick leave converted at the employee's current regular hourly rate of pay, up to $2,000, payable with the final payroll warrant that includes the employee's retirement date. The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of sick hours the employee had before the cash payment:

If the sick leave balance is:	**The conversion rate is:**
Zero to 750 hours	60% of the value
Over 750 hours to 1,500 hours	80% of the value
Over 1,500 hours	100% of the value

The final calculated dollar value will be credited to the employee's Sick Leave Insurance Program (SLIP) account. Each month, the retiree's former employing department will pay 100% of the employer share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The employer will continue to pay the employer's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, until the employee is eligible for Medicare, the employee waives the benefit or the employee dies, whichever comes first. The retired employees may stay with the same health insurance program as when employed or switch down at any time without underwriting. The converted value of the sick leave can only be applied to the employer's share of health insurance premium payments. It has no cash value and it is not transferable to another use or to an heir.

If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the Sick Leave Insurance Program will be forfeited.

All program benefits are financed on a pay-as-you-go basis by the department from which the employee retired. Amounts due for this program have been recorded as a liability in the government-wide financial statements.

For the year ended June 30, 2013, 912 employees from the Executive and Legislative branches have retired and received benefits totaling $5.2 million under SLIP. In addition, 187 employees from the Judicial branch and Community Based Corrections have retired and received benefits totaling $1.4 million under SLIP.

NOTE 18 – RISK MANAGEMENT

A. Self-Insurance/Retention of Risk

It is the policy of the State not to purchase commercial insurance, except as detailed below in Section B, for the risks of losses to which it is exposed. Instead, State management believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service funds or to pay claims from the General Fund.

Specific claim adjustment expenditures/expenses and estimated recoveries on unsettled claims are included in the determination of claims liability. Other allocated or unallocated claims adjustment expenditures/expenses are not included.

The State is self-insured for various risks of loss related to work injuries of its employees. The Workers' Compensation Fund, an internal service fund, services workers' compensation claims. The liability for unpaid

claims is estimated based on the average cost per claim-type determined from an actuarial review. Changes in the balances for estimated claims liabilities for fiscal years 2012 and 2013 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 12	$ 51,454	23,235	22,355	$ 52,334
FY 13	52,334	26,045	21,924	56,455

The State is self-insured for various risks of loss related to its motor vehicle fleet. The Vehicle Dispatcher Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on historical experience and the application of an industry standard of 40% for IBNR claims. Changes in the balances for estimated claims liabilities for fiscal years 2012 and 2013 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 12	$ 291	22	155	$ 158
FY 13	158	1,284	1,061	381

The State is self-insured for various risks of loss related to the operation of the Board of Regents Institutions' motor vehicle fleets. The Regent's Motor Vehicle Liability Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on statistical techniques that reflect recent settlements, similar claim history and other economic and social factors. Changes in the balances for estimated claims liabilities for fiscal years 2012 and 2013 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 12	$ 1,776	215	423	$ 1,568
FY 13	1,568	163	480	1,251

The State is self-insured for risks of loss related to property damage and torts. All claims must be filed with the State Appeal Board which has the authority to approve or reject claims. Claims allowed in an amount greater than $5,000 require the unanimous approval of all members of the Board, the Attorney General and the District Court of the State of Iowa for Polk County. The liability for unpaid claims is estimated based on historical experience and analysis. Changes in the balances for estimated claims liabilities for fiscal years 2012 and 2013 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 12	$ 20,000	17,240	17,240	$ 20,000
FY 13	20,000	6,873	6,873	20,000

The Universities retain risk liability for medical faculty malpractice; medical, dental, unemployment and workers' compensation coverage for some employees; and various property damage not covered as described below. The estimates of claim liabilities for faculty medical malpractice and employee medical, dental, unemployment and workers' compensation are based on actuarial analysis. The estimates of the claims liabilities for various property damage are based on historical analysis. Changes in the balances for estimated claims liabilities for fiscal years 2012 and 2013 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 12	$ 31,514	200,640	203,368	$ 28,786
FY 13	28,786	215,223	212,701	31,308

B. Insurance/Transfer of Risk

The State insures with commercial insurers for certain risks of loss assuming liability for any deductibles and claims in excess of coverage limitations.

State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured.

The State maintains an employee fidelity bond for up to $2.0 million. The three State public universities carry additional coverage of $0.5 million to $8.0 million.

The University of Iowa is insured for $2.0 billion for catastrophic property loss for general fund properties with a $5.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises. The fine art collections are insured for $260 million.

Iowa State University is insured for $2.1 billion for catastrophic property loss for general fund properties with a $2.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises.

The University of Northern Iowa is insured for $650.0 million for catastrophic property loss for general fund properties with a $2.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises.

The Iowa Braille and Sight Saving School is insured for catastrophic loss liabilities for $44.5 million after a $1.0 million deductible.

The Iowa School for the Deaf is insured for catastrophic loss liabilities for $69.9 million after a $1.0 million deductible.

The eight Judicial Districts individually insure buildings and contents with coverage ranging from $2.8 million to $25.6 million.

The Iowa Lottery Authority is insured for $10.6 million for buildings and contents.

Iowa Workforce Development is insured for $23.0 million for buildings and contents.

Iowa Public Television insures broadcasting trucks and contents for $3.1 million.

The University of Iowa had property insurance claims in excess of commercial coverage due to the 2008 flood. Iowa State University had property insurance claims in excess of commercial coverage due to the flood in August 2010. All other settled claims have not exceeded commercial coverage for the past three fiscal years.

NOTE 19 – LITIGATION, CONTINGENCIES AND COMMITMENTS

The *Iowa Department of Revenue* has pending litigation regarding income tax cases. The cases could possibly result in refunds estimated at $5.0 million.

The *Iowa Public Employees' Retirement System* (IPERS) has commitments to fund an additional $1.499 billion to various private equity/debt partnerships and $139.4 million to a real estate debt partnership at June 30, 2013.

The *Iowa Public Employees' Retirement System* (IPERS) monitors, evaluates, and takes the necessary actions related to litigation for or against IPERS. This includes, but is not limited to, federal and state court actions and defending administrative appeals filed against IPERS.

In the fraud action against Westridge Capital Management, IPERS is aggressively pursuing its financial interests in the U.S. District Court for the Southern District of New York. In April 2011, IPERS received an initial distribution in the amount of $215.2 million. In April 2013, IPERS received another distribution of $10.5 million. This recovery is reflected in the financial statements for the year ended June 30, 2013. The receiver has not distributed all assets under its control. Management of the IPERS anticipates any further distribution from the receiver will be minimal. During the preceding year IPERS filed suit against Westridge Capital Management's auditor, Deloitte & Touche. The presiding judge dismissed the litigation. IPERS has appealed the dismissal.

IPERS is also aggressively defending a case filed in Polk County District Court, Iowa. The case is captioned *Robert J. Brunkhorst v. Iowa Public Employees' Retirement System*, CV No. 104520. Mr. Brunkhorst filed a claim under the Iowa Tort Claims Act alleging IPERS failed to implement the actuarial cost method for service purchase buy-backs in a timely fashion, causing a loss to the IPERS Trust Fund. IPERS denies the allegation. The action has twice been dismissed by the district court and the plaintiffs appealed the latest dismissal to the Iowa Supreme Court. Management of IPERS believes that it will have no material effect on the financial statements for the fiscal year ended June 30, 2013.

The *Iowa Department of Transportation* has contractual obligations for construction and other contracts of $446.5 million at June 30, 2013.

The *University of Iowa* has outstanding construction contract commitments of $393.1 million at June 30, 2013.

Iowa State University has outstanding construction contract commitments of $59.1 million at June 30, 2013.

The *University of Northern Iowa* has outstanding construction contract commitments of $6.2 million at June 30, 2013.

The *Iowa Department of Natural Resources* has outstanding construction contract commitments of $14.1 million at June 30, 2013.

The *Iowa Department of Administrative Services* has outstanding construction contract commitments of $55.9 million at June 30, 2013.

The *Iowa Department of Human Rights* has outstanding contractual obligations of $27.7 million at June 30, 2013.

The *Iowa Department of Human Services* has outstanding contractual obligations of $1,103.3 million at June 30, 2013.

The State of Iowa has encumbrances at June 30, 2013, totaling $46.9 million, $42.4 million in the General Fund and $4.5 million in the nonmajor governmental funds.

The *Iowa Finance Authority* has committed to purchase $79.0 million in mortgage-backed securities, approved loan agreements under various housing assistance programs for $10.4 million and signed loan agreements under the State Revolving Fund totaling $197.4 million at June 30, 2013.

The *Iowa Economic Development Authority* has contractual commitments of $420.6 million at June 30, 2013.

NOTE 20 – BEGINNING BALANCE ADJUSTMENTS

At the *University of Iowa*, the implementation of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* required prior period adjustments for inclusion of the University of Iowa Research Park Corporation as a blended component unit and for the asset and the related debt and revenue and expenses related to the asset of the University of Iowa Facilities Corporation's (UIFC) activities for acquiring and holding property for the benefit and use of the University of Iowa. The capital assets acquired or constructed from debt issued by the UIFC have historically been recorded on the University's financial statement as capital assets and capital lease payables. The UIFC is now reported as a segment of the University defined as having identifiable activities for which one or more revenue bonds or other revenue-backed debt is outstanding. The change for both entities was accounted for as prior period adjustments and the cumulative change to the net position beginning balance at July 1, 2012 is $11.0 million.

Also, at the University of Iowa, the implementation of GASB 61, resulted in the prior period adjustment for inclusion as discrete component units the University of Iowa Health System & Subsidiaries and the University of Iowa Research Foundation. The change for both entities was accounted for as a prior period adjustment and the cumulative change to the net position beginning balance at July 1, 2012 is $17.1 million and $26.1 million, respectively.

The balance of business-type activities, capital assets (net) has been increased by $4.0 million due to the implementation of GASB 61 and an omission of a parcel of land ($3.6 million) for the University of Iowa Research Park Corporation. These changes have been accounted for as prior period adjustments to the beginning balances of capital assets (net) and net investment in capital assets.

NOTE 21 – DEFICIT FUND BALANCE

The Tobacco Collections Fund, a major Special Revenue Fund, had a deficit fund balance of $410.6 million at June 30, 2013. In accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, in fiscal year 2008, an interfund advance was recorded in the Tobacco Collections Fund, causing a deficit fund balance. As future tobacco collections are received in the Tobacco Collections Fund and remitted to the Tobacco Settlement Authority for repayment of debt, the interfund advance will be reduced and the deficit eliminated.

NOTE 22 – SPECIAL ITEMS

A. Governmental Activities

Iowa College Student Aid Commission (ICSAC), Federal Family Education Loan Program

With approval from the U.S. Department of Education, on October 1, 2012, the Federal Family Education Loan Program (FFELP) was transferred to Great Lakes Higher Education Guaranty Corporation (Great Lakes). The agreement between ICSAC and Great Lakes included transferring the balance of the Federal Student Loan Reserve Fund, a materially presented special revenue fund, to Great Lakes.

In accordance with GASB Statement No. 69 (GASB 69), *Government Combinations and Disposals of Government Operations*, a special item – loss on disposal of operations totaling $23.8 million was reported in the Federal Student Loan Reserve Fund. In addition, a special item – gain on disposal of operations totaling $6.5 million was reported in the governmental activities.

Iowa Department of Administrative Services, Building Energy Management

The Iowa Department of Administrative Services (DAS) had a Memorandum of Understanding with the Iowa Economic Development Authority (IEDA), a discrete component unit, for DAS to manage the Building Energy Management (BEM) program operations. In May 2013, it was decided to transfer the responsibility of the operations of the BEM program from DAS to IEDA upon payment of final obligations incurred by DAS for the year ended June 30, 2013.

In accordance with GASB 69, as a result of the transfer of operations, the general fund recognized a loss of $0.8 million on the disposal of the BEM operations as a special item. The DAS's fiscal year 2013 expenditures related to the BEM operations totaled $1.0 million while revenues related to the operations totaled $0.3 million in the General Fund.

B. Discretely Presented Component Units

Iowa Economic Development Authority, Building Energy Management

In accordance with GASB 69, as a result of the May 2013 decision to transfer the responsibility of the operations of the Building Energy Management program from the Iowa Department of Administrative Services (DAS) to the Iowa Economic Development Authority (IEDA), a discretely presented component unit, at the end of fiscal year 2013, the IEDA recognized assets and net position totaling $0.7 million in the statement of net position and a special item – gain on transfer of operations totaling $0.7 million in the statement of activities.

NOTE 23 – EXTRAORDINARY ITEMS

Iowa State University sustained significant damage to property and impairment to capital assets as a result of the August 2010 flooding. The activity related to this event is reported as an extraordinary item as it is both unusual in nature and infrequent in occurrence. The resulting total gross impairment loss, based on each asset's carrying value, is $5.0 million. GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires that impairment loss be reported net of insurance recoveries. Iowa State University has estimated that realizable insurance recovery associated with building impairment to be $7.6 million, resulting in a net building impairment gain of $2.6 million. The net impairment gain reported as of June 30, 2012 was $0.7 million; therefore, an incremental change in net impairment gain of $1.9 million is recorded in the financial statements for the year ended June 30, 2013

The following details the components of the extraordinary gain at June 30, 2013, (expressed in thousands):

Net building impairment gain (see NOTE 6)	$	1,885
Net change in other insurance recoveries		(4,465)
Net extraordinary item	$	(2,580)

NOTE 24 – SUBSEQUENT EVENTS

Subsequent to June 30, 2013, *Iowa State University* received approval from the State Board of Regents to issue Utility System Revenue Bonds, Series I.S.U. 2013A for $27.5 million in November, 2013. These bonds bear interest at varying rates and will mature in varying amounts from November 1, 2014 through November 1, 2033. The proceeds of these bonds will be used for the constructing, equipping, installing and extending certain facilities and improvements to the utility system of Iowa State University, funding a reserve fund, and paying the costs of issuance. These bonds will be payable only from net revenues of the utility system, the proceeds of any utility system student fees, and a debt service reserve fund.

Subsequent to June 30, 2013, *Iowa State University* received approval from the State Board of Regents to issue Academic Building Revenue Refunding Bonds, Series I.S.U. 2013 for $6.0 million in December, 2013. These bonds will bear interest at varying rates between 2.0% and 2.75% and will mature in varying amounts from July 1, 2014 through July 1, 2020. The proceeds of these bonds will be used to refund, as a current refunding, the outstanding principal of the July 1, 2014 through July 1, 2018 maturities of the Academic Building Revenue Bonds, Series I.S.U. 2003 and the July 1, 2014 through July 1, 2020 maturities of the University's Academic Building Revenue Bonds, Series I.S.U. 2004A and to pay the costs of issuing the bonds. The bonds will be payable solely out of gross student fees and charges collected by the University and institutional income received by the University.

Subsequent to June 30, 2013, *Iowa State University* received approval from the State Board of Regents to issue Dormitory Revenue Bonds, Series I.S.U. 2013C for $8.75 million in December, 2013. These bonds will bear interest at varying rates between 2.0% and 4.0% and will mature in varying amounts from July 1, 2014 through July 1, 2033. The proceeds of the bonds will be used to pay a portion of the costs of constructing and equipping an expansion to Frederiksen Court apartments, to fund a debt service reserve fund and to pay the costs of issuing the bonds. The bonds will be payable solely from the net revenues of the Dormitory System of the University.

The *State Board of Regents* has entered into a Master Lease Agreement with Wells Fargo Bank whereby the University of Iowa, University of Northern Iowa, and Iowa State University may finance real and personal property over a three to ten year term on an annual appropriation lease basis. As of July 10, 2013, the University of Iowa made draws of $30 million (Football Operations Facility), $8 million (Kinnick Stadium Scoreboard-Taxable), and $2.5 (Motor Vehicles #2) under the Master Lease Agreement. The University of Iowa's Notes will bear interest at 2.48% for ten years, 2.41% for five years, and 1.69% for five years respectively, with monthly principal and interest payments starting August 1, 2013.

In August 2013, the *University of Iowa* received approval from the State Board of Regents to issue Academic Building Revenue Refunding Bonds, Series S.U.I. 2013 in the amount of $18.8 million. The proceeds of the bonds will be used to refund, as an advanced refunding, the outstanding principal of the July 1, 2014 through July 1, 2024 maturities of $25 million Academic Building Revenue Bonds, Series 2004 dated October 1, 2004, and to pay the costs of issuing the bonds. These bonds will bear interest at varying rates between 3.00% and 5.00% and will mature in varying amounts from July 1, 2014 through July 1, 2024. This refunding transaction is being undertaken to achieve debt service savings.

In September 2013, the *University of Iowa* received approval from the State Board of Regents to issue Academic Building Revenue Refunding Bonds, Series S.U.I. 2013A in the amount of $30.1 million. The proceeds of the bonds will be used to pay or reimburse a portion of the costs of building, repairing, reconstructing and equipping flood damaged buildings and facilities on the campus of the University of Iowa, fund capitalized interest, fund a reserve fund, and pay the costs of issuing said Bonds. These bonds will bear interest at varying rates between 2.00% and 4.75% and will mature in varying amounts from July 1, 2017 through July 1, 2036.

House File 607 transferred the powers and duties from the *Iowa Agricultural Development Authority* (a discretely presented component unit) to the *Iowa Finance Authority* (a discretely presented component unit) effective July 1, 2013. An agricultural development division was created within the Iowa Finance Authority to continue to

administer Chapter 175 of the Code of Iowa by providing assistance to beginning farmers, agricultural producers, displaced farmers or other persons qualifying for assistance under Chapter 175 of the Code of Iowa.

In July 2013, the *Iowa Finance Authority* issued $115.5 million of State Revolving Fund (SRF) Revenue Bonds Series 2013 to fund loans to municipalities and water systems under various SRF programs.

In July 2013, the *Iowa Finance Authority* issued $10 million of taxable Single Family Mortgage Revenue Bonds, Series 2013-4 to purchase mortgage-backed securities.

In August 2013, the *Iowa Finance Authority* entered into an agreement that transferred 9 derivative instruments totaling approximately $90.5 million in notional value from UBS AG, rated A by S&P, to Bank of New York Mellon, rated AA- by S&P. The transaction resulted in a terminating event under GASB Statement No. 53 which requires the Iowa Finance Authority to recognize a non-cash loss of approximately $5.9 million in the FY 2014 financial statements of the Iowa Finance Authority.

In May 2013, the Iowa Legislature enacted the Iowa Health and Wellness Plan (IHAWP). Beginning January 1, 2014 the IHAWP will cover all Iowans ages 19-64 with incomes up to and including 133 percent of the Federal Poverty Level. The plan will provide a comprehensive benefit package and provider network, along with important program innovations that will improve health outcomes and lower costs. The new plan will serve many former IowaCare enrollees as the IowaCare waiver will expire December 31, 2013. The anticipated cost of the program in FY14 is $324.8 million, which is covered by federal funding. The cost is anticipated to be over $1 billion by FY2015.

With the additional coverage provided under the new Affordable Care Act and the Iowa Health and Wellness Plan, the Department of Human Services expects an increase in caseloads for clients served under existing Medicaid, CHIP, and Food Assistance. The increased caseload is estimated to cost an additional $42.7 million in state funds as eligible individuals begin to apply for services.

Since July 2010, a panel of three arbitrators has been hearing the participating manufacturers' 2003 NPM adjustment dispute with the State of Iowa and other Master Settlement Agreement states. A hearing regarding Iowa's diligent enforcement of its escrow statute, Iowa Code Chapter 453C, was held in October 2012. On September 11, 2013, the arbitration panel issued an award finding that the State of Iowa diligently enforced its statute and was awarded approximately $6.2 million in disputed payments that had been withheld. The State anticipates receiving the settlement in April 2014.

During the year ended June 30, 2013, the General Assembly of the State of Iowa and the Governor approved House File 648. Division 1, Section 1 of this act provides that if the Iowa Economic Emergency Fund reaches its maximum balance in the fiscal year beginning July 1, 2013, after the designated portion of the excess moneys is transferred to the Taxpayer Trust Fund pursuant to section 8.55, subsection 2, paragraph "a", the next $116,100,000 is transferred to the State Bond Repayment Fund. Pursuant to the legislation, in November 2013, the State redeemed *IJOBS Program Special Obligation Bonds, Series 2010B* outstanding principal of $22.7 million, defeased *School Infrastructure Special Fund Refunding Bonds, Series 2012* outstanding principal of $18.9 million, defeased *Honey Creek Premier Destination Park Bonds, Series 2006* outstanding principal of $32.0 million, and defeased *Refunding Revenue Bonds (Correctional Facility Program) Series 2002* outstanding principal of $16.2 million.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IOWA

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2013
(Expressed in Thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE				
Special taxes:				
Personal income tax	$ 3,792,900	$ 3,976,000	$ 4,075,512	$ 99,512
Sales/use tax	2,541,000	2,591,400	2,558,245	(33,155)
Corporation income tax	512,300	547,700	563,140	15,440
Inheritance tax	80,900	93,400	86,785	(6,615)
Insurance premium tax	102,400	106,100	104,885	(1,215)
Cigarette tax	97,100	96,200	102,703	6,503
Tobacco tax	15,100	17,400	17,581	181
Beer & liquor tax	14,900	14,600	13,865	(735)
Franchise tax	38,300	47,700	43,860	(3,840)
Miscellaneous tax	1,100	1,100	1,148	48
Total special taxes	7,196,000	7,491,600	7,567,724	76,124
Reimbursements & fees:				
Institutional reimbursements	15,300	14,700	14,638	(62)
Liquor transfers	93,500	94,100	100,816	6,716
Interest	3,600	2,500	2,662	162
Fees	20,800	27,000	28,238	1,238
Judicial revenue	112,200	110,600	106,155	(4,445)
Miscellaneous receipts	27,500	29,900	41,233	11,333
Racing & gaming receipts	40,000	40,000	40,000	-
Total receipts	7,508,900	7,810,400	7,901,466	91,066
Transfers	87,200	110,800	116,945	6,145
Economic Emergency Fund Surplus	292,000	572,063	572,063	-
TOTAL APPROPRIATED REVENUE	**7,888,100**	**8,493,263**	**8,590,474**	**97,211**
RECEIPTS CREDITED TO APPROPRIATIONS				
Sales tax quarterly	1	1	(1)	(2)
Multi suspense	8,398	8,398	7,280	(1,118)
Federal support	2,679,081	2,683,756	2,807,702	123,946
Local governments	50,316	51,023	40,373	(10,650)
Other states	-	151	577	426
Internal service transfers	682,790	673,942	703,816	29,874
Reimbursements from other departments	9,436	9,631	9,603	(28)
Government fund type transfers-				
Attorney General	15,265	15,381	14,990	(391)
Auditor of State	4,300	4,300	3,471	(829)
Other agencies	19,779	27,498	32,603	5,105
Interest	65	65	18	(47)
Fees, licenses & permits	51,841	53,549	42,952	(10,597)
Refunds & reimbursements	447,109	446,921	456,651	9,730
Sale of equipment & salvage	11	11	9	(2)
Rents & leases	2,800	2,800	2,793	(7)
Agricultural sales	1	1	2	1
Other sales & services	3,104	3,118	3,820	702
Unearned receipts	13,285	13,292	7,588	(5,704)
Other	9,373	9,438	10,062	624
TOTAL APPROPRIATED RECEIPTS	**3,996,955**	**4,003,276**	**4,144,309**	**141,033**
TOTAL ALL REVENUE	**11,885,055**	**12,496,539**	**12,734,783**	**238,244**
SCHOOL INFRASTRUCTURE TRANSFER	**(424,900)**	**(423,700)**	**(419,169)**	**4,531**
REFUNDS OF TAXES COLLECTED	**(917,900)**	**(861,000)**	**(830,504)**	**30,496**
TOTAL REVENUES AVAILABLE	**10,542,255**	**11,211,839**	**11,485,110**	**273,271**

(continued on next page)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
EXPENDITURES				
Administration & regulation	378,697	362,077	390,058	(27,981)
Agriculture & natural resources	158,761	159,335	152,912	6,423
Economic development	49,972	50,493	48,228	2,265
Education	3,739,855	3,823,951	3,741,081	82,870
Health & human services	5,186,031	5,255,583	5,354,699	(99,116)
Justice	549,645	555,552	554,998	554
Transportation	-	207	195	12
Judicial	167,050	170,001	167,259	2,742
Legislature	34,236	34,239	33,858	381
Capitals	-	15,000	-	15,000
TOTAL EXPENDITURES	**10,264,247**	**10,426,438**	**10,443,288**	**(16,850)**
REVENUES AVAILABLE OVER EXPENDITURES AND TRANSFERS	**278,008**	**785,401**	**1,041,822**	**256,421**
OTHER FINANCING SOURCES (USES)				
Balances credited to appropriations	47,563	64,791	64,791	-
Unexpended appropriations	(4,708)	(70,685)	(178,895)	(108,210)
TOTAL OTHER FINANCING SOURCES (USES)	**42,855**	**(5,894)**	**(114,104)**	**(108,210)**
REVENUES AVAILABLE OVER EXPENDITURES AND OTHER ITEMS	**320,863**	**779,507**	**927,718**	**148,211**
BEGINNING FUND BALANCE (BUDGETARY)	**-**	**-**	**-**	**-**
REMAINING FUND BALANCE (BUDGETARY)	**$ 320,863**	**$ 779,507**	**$ 927,718**	**$ 148,211**
ENDING FUND BALANCE (BUDGETARY)	**$ 320,863**	**$ 779,507**	**$ 927,718**	
AUTHORIZED TRANSFER TO THE:				
Cash Reserve Fund	(320,863)	(779,507)	(927,718)	
REMAINING FUND BALANCE (BUDGETARY)	**$ -**	**$ -**	**$ -**	

The notes are an integral part of the financial statements.

STATE OF IOWA

Required Supplementary Information
Budgetary Comparison Schedule - Budget to GAAP Reconciliation - General Fund

June 30, 2013
(Expressed in Thousands)

Fund balance- budgetary/legal	**$ 927,718**
Basis of accounting differences:	
Balance sheet accounts:	
Accounts receivable	247,877
Loans receivable	225
Due from other funds	9,112
Prepaid expenditures	24,154
Accounts payable & accruals	(123,110)
Due to other funds	(90,868)
Deferred revenue	(148,602)
Budgetary unexpended appropriations	178,895
Timing differences:	
Petty cash & inventory expensed in budgetary accounting	18,543
Perspective differences	2,006,301
Total fund balance - GAAP basis	**$ 3,050,245**

The notes are an integral part of the financial statements.

BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the year ended June 30, 2013, actual expenditures exceeded budgeted expenditures in the General Fund in the Administration & Regulation and Health & Human Services functions.

For the Administration and Regulation function, the Executive Council received additional state funds for expenditures paid to the Department of Homeland Security and Emergency Management for the state match on federally approved disaster claims over and above the estimates for the fiscal year. The Department of Commerce, Governor's Office of Drug Control Policy, and Secretary of State received additional funds over budgeted amounts and expended those funds on allowable expenditures.

For the Health and Human Services function, The Department of Human Services received additional federal funds and other state funds for the Medical Assistance and Medical Contracts programs over budgeted amounts and expended those funds for allowable program expenditures. The Department also received additional funds for the Children and Families Services program over budgeted amounts and expended those funds on allowable expenditures.

BUDGETARY PRESENTATION

The budget encompasses the General Fund of the State and some Special Revenue Funds (IOWAccess Revolving Fund, Real Estate Education, Medicaid Fraud Fund, Unclaimed Winnings, Vertical Infrastructure Fund, Federal Economic Stimulus and Jobs Holding Fund, Environment First Fund, Property Tax Credit Fund, Technology Reinvestment Fund, Federal Recovery and Reinvestment Fund, Revenue Bonds Capital II Fund, Healthy Iowan's Tobacco Trust, Revenue Bonds Capital Fund, Health Care Trust, Underground Storage Tank Unassigned Revenue, Tobacco Tax Exempt Bond Proceeds Restricted Capital, Endowment for Iowa's Health Restricted Capitals Fund, Agrichemical Remediation Fund, Resources Enhancement and Protection Fund, Land Recycling Fund, Fish and Game Trust Fund, Conservation Administration Fund, Forestry Management Enhancement Fund, Water Quality Protection, National Pollutant Discharge Elimination System Permit, Workforce Development Withholding, Local Housing Assistance, Wine and Beer Promotion Board Fund, Grow Iowa Values Fund, Renewable Fuel Infrastructure Fund, State Housing Trust Fund, Special Contingency Fund, School Infrastructure Fund, Stafford Loan Program, Nonparticipating Provider Reimbursement Fund, Department of Human Services Reinvestment Fund, Pharmaceutical Settlement Fund, Health Care Transformation Fund, IowaCare Fund, Quality Assurance Fund, Primary Road Fund, State Aviation Fund, Hospital Health Care Access Trust Fund, Court Technology and Modernization Fund and Mortgage Servicing Settlement Fund). There is a perspective difference between budget and financial reporting due to the difference in fund structures. The budgetary presentation will vary from the financial presentation for funds displayed in the supplementary information due to this difference. The General Fund is displayed in the Required Supplementary Information (RSI) Budgetary Comparison Schedule. The major Special Revenue Funds, Tobacco Settlement Authority and Tobacco Collections Fund, do not have legally adopted budgets and, therefore, are not displayed. The nonmajor Special Revenue Funds are displayed with the combining financial statements and schedules for nonmajor funds in the supplementary information section.

The beginning budgetary fund balance for the nonmajor Special Revenue Funds was restated to include the Mortgage Servicing Settlement Fund. This fund was established in fiscal year 2012; however, fiscal year 2013 is the first year moneys were appropriated (budgeted) from the fund. This fund is classified as a Special Revenue Fund for budgetary purposes. The following summarizes the change to the beginning budgetary fund balance for nonmajor Special Revenue Funds (expressed in thousands):

	Actual
July 1, 2012 budgetary fund balances	$ 810,380
Adjustment for:	
Mortgage Servicing Settlement Fund	15,916
Budgetary fund balances restated	$ 826,296

The original budget and related estimated revenues and expenditures represent the spending authority enacted into law by the appropriations bills as of July 1, 2012 and includes estimated approved budgetary carry-forwards from the prior fiscal year.

The final appropriations budget represents original and supplemental appropriations, actual budgetary carry-forwards, approved transfers, executive order reductions and timing differences.

The State's budget is prepared annually by the Governor on a modified cash basis and is required to be submitted along with proposed appropriation bills to the General Assembly by the first of February prior to the new fiscal year. When an appropriation bill is passed by both houses of the General Assembly, the bill is enrolled and sent to the Governor. The Governor may sign it into law or veto it in whole or in part on a line item basis. Funds may be disbursed only after appropriations have been allotted by the Department of Management, subject to the review of the Governor, with the exception of standing unlimiteds and certain receipts that the Departments are authorized to expend.

Departments may request revisions to allotments, appropriations transfers, or supplemental appropriations. The Department of Management approves revised allotments within an appropriation, subject to the Governor's review. The Governor and the Department of Management approve all appropriation transfers. The General Assembly and the Governor act on supplemental appropriation bills in a manner similar to original appropriations. Appropriations lapse at the fiscal year-end and all unencumbered or unobligated balances revert to the State treasury, unless otherwise provided.

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services that have not been received or rendered are recorded to reserve that portion of the applicable fund balance. Section 8.33, unnumbered paragraph 2, of the Code of Iowa, states, "No payment of an obligation for goods or services shall be charged to an appropriation subsequent to the last day of the fiscal year for which the appropriation is made unless the goods or services are received on or before the last day of the fiscal year, except that repair projects, purchase of specialized equipment and furnishings, and other contracts for services and capital expenditures for the purchase of land or the erection of buildings or new construction or remodeling, which were committed and in progress prior to the end of the fiscal year are excluded from this provision." That is, except for the above stated exceptions, the State must have received the goods or services on or before June 30, creating an actual liability or the encumbrance is cancelled against that fiscal year. If the encumbrances are still valid after June 30, they become expenditures/expenses of the next fiscal year.

Budgetary control is essentially maintained at the department fund level except for certain grant and aid programs where control is maintained at a program level. Revenues and expenditures are monitored on a continuing basis. State law authorizes the Governor to impose across-the-board pro rata reductions in allotments to ensure revenues and other available funds are sufficient to pay expenses of a given fiscal year.

Separate reports for the General Fund and budgeted Special Revenue Funds presenting detail of the legal level of control and actual expenditures are available from the Department of Management.

GENERAL FUND EXPENDITURE LIMITATION

The Code of Iowa, section 8.54, establishes a state General Fund expenditure limitation of 99.0% of the adjusted revenue estimate. The adjusted revenue estimate is the appropriated revenue estimate for the General Fund for the following fiscal year as determined by the Revenue Estimating Conference, adjusted by subtracting estimated tax refunds payable from that estimated revenue and as determined by the Conference, adding any new revenues which may be considered to be eligible for deposit into the General Fund. "New revenues" means moneys which are received by the State due to increased tax rates and fees or newly created taxes and fees over and above those moneys which are received due to state taxes and fees which are in effect as of January 1 following the December Revenue Estimating Conference. "New revenues" also includes moneys received by the General Fund of the State due to new transfers over and above those moneys received by the General Fund of the State due to transfers which are in effect as of January 1 following the December Revenue Estimating Conference. The Department of Management shall obtain concurrence from the Revenue Estimating Conference on the eligibility of transfers to the General Fund which are to be considered as new revenue in determining the General Fund expenditure limitation.

This limitation shall be used by the Governor in the preparation of the budget and by the General Assembly in the budget process. If a source for new revenues is proposed, the budget revenue projection used for that new revenue source for the period beginning on the effective date of the new revenue source and ending in the fiscal year in which the source is included in the revenue base shall be an amount determined by subtracting estimated tax refunds payable from the projected revenue from the new revenue source, multiplied by 95.0%. If a new revenue source is established and implemented, the original General Fund expenditure limitation amount shall be readjusted to include 95.0% of the estimated revenue from the new source.

For fiscal years in which the Iowa Economic Emergency Fund transfers money to the General Fund, the original General Fund expenditure limitation amount provided for shall be readjusted to include the moneys which are so transferred.

The scope of the expenditure limitation shall not encompass federal funds, donations, constitutionally dedicated moneys and moneys in expenditures from state retirement system moneys. The Governor shall submit and the General Assembly shall pass a budget that does not exceed the State General Fund expenditure limitation. The Governor shall not submit and the General Assembly shall not pass a budget which in order to balance assumes reversion of a specific amount for the total of the appropriations included in the budget.

RESERVE FUNDS

The **Iowa Economic Emergency Fund** was created in Iowa Code section 8.55. The fund is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa Economic Emergency Fund is equal to the maximum balance, moneys in excess of this amount shall be distributed as follows: (1) the first sixty million dollars of the difference between the actual net revenue for the General Fund of the State and the adjusted revenue for the fiscal year shall be transferred to the Taxpayers Trust Fund established in Iowa Code section 8.57E; (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State. The moneys in this fund may be appropriated by the General Assembly for emergency expenditures; and there is appropriated to the Executive Council an amount sufficient to pay expenses authorized by the Executive Council in Iowa Code section 7D.29. However, except as provided in Iowa Code section 8.58, the balance in the Iowa Economic Emergency Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund established in Iowa Code section 8.57.6.

The **Cash Reserve Fund** was created in Iowa Code section 8.56. The fund is separate from the General Fund of the State and is not to be considered part of the General Fund of the State except in determining the cash position of the State. The moneys in the Cash Reserve Fund cannot be transferred, used, obligated, appropriated or otherwise encumbered except as provided under Iowa Code section 8.56. Interest or earnings on moneys deposited in the Cash Reserve Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that any moneys so allocated are returned to the Cash Reserve Fund by the end of each fiscal year. The maximum balance of the fund is equal to 7.5% of the adjusted revenue estimated for the General Fund of the State for the current fiscal year. The moneys in this fund may only be appropriated by the General Assembly for nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. The balance in the Cash Reserve Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

STATE OF IOWA

Required Supplementary Information
Schedules of Funding Progress

(Expressed in Thousands)

PENSION PLANS

Peace Officers' Retirement, Accident and Disability System

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
2011	July 1, 2011	$ 288,851	$ 461,595	$ 172,744	62.58%	$ 43,494	397.17%
2012	July 1, 2012	292,910	480,157	187,247	61.00%	43,902	426.51%
2013	July 1, 2013	319,442	498,469	179,027	64.08%	43,985	407.02%

* The entry age actuarial cost method is used to calculate the actuarial accrued liability and annual required contribution.

Judicial Retirement System

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
2011	July 1, 2011	$ 109,512	$ 164,511	$ 54,999	66.57%	$ 26,403	208.31%
2012	July 1, 2012	117,272	170,232	52,960	68.89%	25,760	205.59%
2013	July 1, 2013	127,353	178,725	51,372	71.26%	28,278	181.67%

* The entry age actuarial cost method is used to calculate the actuarial accrued liability and annual required contribution.

OTHER POSTEMPLOYMENT BENEFITS

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
State Plan *							
2011	July 1, 2010	$ -	$ 377,933	$ 377,933	0.00%	$ 1,656,131	22.82%
2012	July 1, 2010	-	377,933	377,933	0.00%	1,656,131	22.82%
2013	July 1, 2012	-	233,209	233,209	0.00%	1,750,968	13.32%
University Funds **							
2011	July 1, 2010	$ -	$ 254,300	$ 254,300	0.00%	$ 1,251,600	20.32%
2012	July 1, 2011	-	270,300	270,300	0.00%	1,274,700	21.20%
2013	July 1, 2012	-	293,180	293,180	0.00%	1,349,100	21.73%

* The entry age actuarial cost method is used to calculate the actuarial accrued liability and the annual required contribution.

** The projected unit credit method is used to calculate the actuarial accrued liability and the annual required contribution.

Pension Trust funds and Other Postemployment Benefits are discussed in detail in the Notes to the Financial Statements (see NOTE 15 - PENSION PLANS and NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS).

SUPPLEMENTARY INFORMATION

STATE OF IOWA

Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type

June 30, 2013
(Expressed in Thousands)

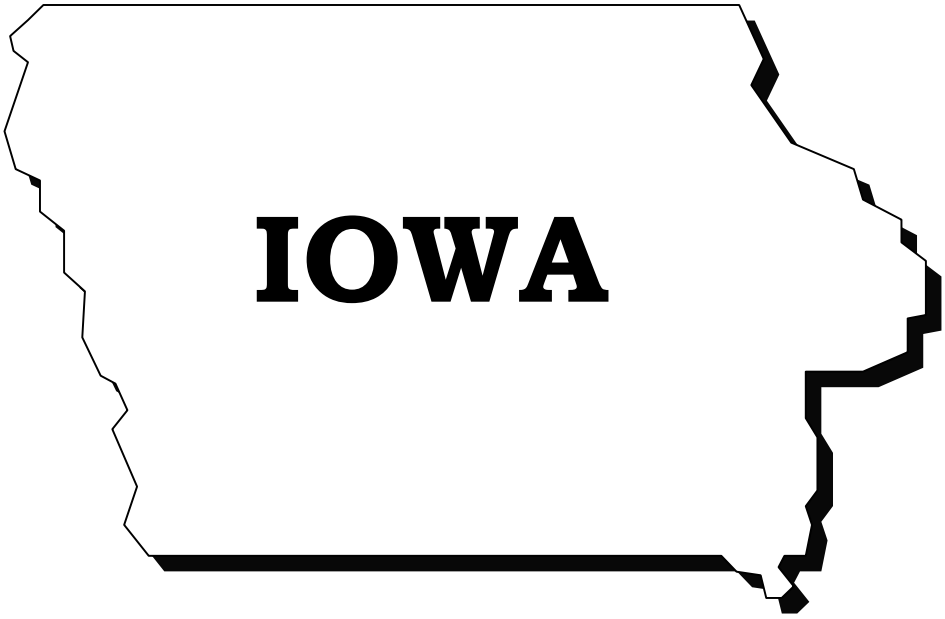
	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Current assets:				
Cash & investments	$ 57,998	$ 17,484	$ 16,079	$ 91,561
Deposits with trustees	2,375	81	-	2,456
Accounts receivable (net)	16,758	543	-	17,301
Loans receivable (net)	572	-	-	572
Due from other funds	1,328	3,294	-	4,622
Inventory	124	-	-	124
Prepaid expenditures	173	-	-	173
Total current assets	79,328	21,402	16,079	116,809
Noncurrent assets:				
Accounts receivable (net)	20,722	-	-	20,722
Loans receivable (net)	1,898	-	-	1,898
Due from other funds/ advances to other funds	25,930	-	-	25,930
Total noncurrent assets	48,550	-	-	48,550
TOTAL ASSETS	**$ 127,878**	**$ 21,402**	**$ 16,079**	**$ 165,359**
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	$ 2,577	$ 5,895	$ -	$ 8,472
Due to other funds	6,640	323	-	6,963
Deferred revenue	8,372	27	-	8,399
Total current liabilities	17,589	6,245	-	23,834
Noncurrent liabilities:				
Deferred revenue	20,626	-	-	20,626
TOTAL LIABILITIES	**38,215**	**6,245**	**-**	**44,460**
FUND BALANCES				
Nonspendable	297	-	16,079	16,376
Spendable:				
Restricted	72,734	3,467	-	76,201
Committed	16,656	11,690	-	28,346
Unassigned	(24)	-	-	(24)
TOTAL FUND BALANCES	**89,663**	**15,157**	**16,079**	**120,899**
TOTAL LIABILITIES & FUND BALANCES	**$ 127,878**	**$ 21,402**	**$ 16,079**	**$ 165,359**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - By Fund Type

For the Year Ended June 30, 2013
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Receipts from other entities	$ 18,118	$ 3,922	$ -	$ 22,040
Investment income	1,707	1	316	2,024
Fees, licenses & permits	37,095	-	-	37,095
Refunds & reimbursements	12,293	694	-	12,987
Sales, rents & services	3,572	-	-	3,572
Miscellaneous	15,254	-	77	15,331
GROSS REVENUES	**88,039**	**4,617**	**393**	**93,049**
Less revenue refunds	2,417	-	-	2,417
NET REVENUES	**85,622**	**4,617**	**393**	**90,632**
EXPENDITURES				
Current:				
Administration & regulation	12,525	-	-	12,525
Education	33,234	-	-	33,234
Health & human rights	419	16	-	435
Human services	109	-	-	109
Justice & public defense	980	-	-	980
Transportation	349	-	-	349
Agriculture & natural resources	2,889	8,557	-	11,446
Capital outlay:				
Administration & regulation	2	1,024	-	1,026
Education	117	272	-	389
Health & human rights	21	5,581	-	5,602
Human services	258	1,065	-	1,323
Justice & public defense	264	33,865	-	34,129
Economic development	-	107	-	107
Transportation	181	-	-	181
Agriculture & natural resources	19	9,263	-	9,282
Debt service:				
Principal	565	7,145	-	7,710
Interest	1,473	1,254	-	2,727
TOTAL EXPENDITURES	**53,405**	**68,149**	**-**	**121,554**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**32,217**	**(63,532)**	**393**	**(30,922)**
OTHER FINANCING SOURCES (USES)				
Transfers in	19,337	42,496	-	61,833
Transfers out	(48,609)	(1,916)	(316)	(50,841)
TOTAL OTHER FINANCING SOURCES (USES)	**(29,272)**	**40,580**	**(316)**	**10,992**
SPECIAL ITEMS - DISPOSAL OF OPERATIONS	**(23,817)**	**-**	**-**	**(23,817)**
NET CHANGE IN FUND BALANCES	**(20,872)**	**(22,952)**	**77**	**(43,747)**
FUND BALANCES - JULY 1	**110,535**	**38,109**	**16,002**	**164,646**
FUND BALANCES - JUNE 30	**$ 89,663**	**$ 15,157**	**$ 16,079**	**$ 120,899**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Guaranty Agency Operating fund receives collections on defaulted student loans, default aversion fees, account maintenance fees and interest to pay for the operating of the Iowa guaranteed loan program.

Honey Creek Authority accounts for bond proceeds issued for the development of Honey Creek Park. The bonds are to be repaid from net revenues of the park.

Federal Student Loan Reserve receives default fees, interest and overpayments and repurchase of claim payments to be used for payment of default claims to lenders and default aversion fees.

Iowa Public Television Foundation is a non-profit corporation that solicits and manages gifts of money and property for Iowa Public Television.

Other Special Revenue Funds are aggregated for reporting purposes and account for various other revenues which must be used for specific purposes.

STATE OF IOWA

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2013
(Expressed in Thousands)

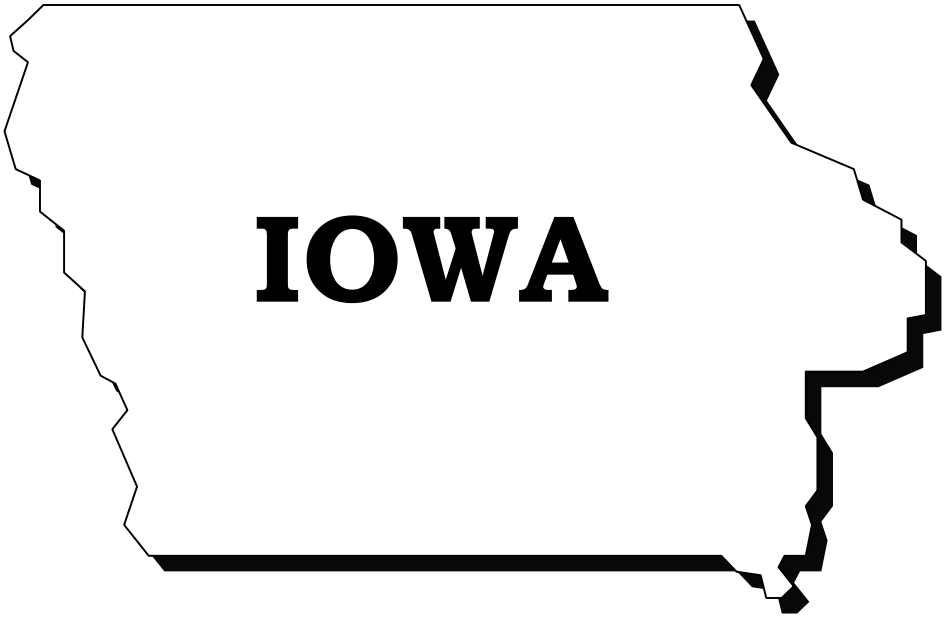
	GUARANTY AGENCY OPERATING	HONEY CREEK AUTHORITY	FEDERAL STUDENT LOAN RESERVE	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 20,661	$ -	$ 12	$ 8,811	$ 28,514	$ 57,998
Deposits with trustees	-	2,375	-	-	-	2,375
Accounts receivable (net)	7,265	8	-	903	8,582	16,758
Loans receivable (net)	437	-	-	-	135	572
Due from other funds	21	650	-	-	657	1,328
Inventory	-	-	-	35	89	124
Prepaid expenditures	60	-	-	28	85	173
Total current assets	28,444	3,033	12	9,777	38,062	79,328
Noncurrent assets:						
Accounts receivable (net)	20,626	-	-	96	-	20,722
Loans receivable (net)	1,801	-	-	-	97	1,898
Due from other funds/ advances to other funds	-	25,930	-	-	-	25,930
Total noncurrent assets	22,427	25,930	-	96	97	48,550
TOTAL ASSETS	**$ 50,871**	**$ 28,963**	**$ 12**	**$ 9,873**	**$ 38,159**	**$ 127,878**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	$ 1,329	$ -	$ 12	$ 271	$ 965	$ 2,577
Due to other funds	73	-	-	400	6,167	6,640
Deferred revenue	6,010	-	-	782	1,580	8,372
Total current liabilities	7,412	-	12	1,453	8,712	17,589
Noncurrent liabilities:						
Deferred revenue	20,626	-	-	-	-	20,626
TOTAL LIABILITIES	**28,038**	**-**	**12**	**1,453**	**8,712**	**38,215**
FUND BALANCES						
Nonspendable	60	-	-	63	174	297
Spendable:						
Restricted	22,773	28,963	-	8,357	12,641	72,734
Committed	-	-	-	-	16,656	16,656
Unassigned	-	-	-	-	(24)	(24)
TOTAL FUND BALANCES	**22,833**	**28,963**	**-**	**8,420**	**29,447**	**89,663**
TOTAL LIABILITIES & FUND BALANCES	**$ 50,871**	**$ 28,963**	**$ 12**	**$ 9,873**	**$ 38,159**	**$ 127,878**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	GUARANTY AGENCY OPERATING	HONEY CREEK AUTHORITY	FEDERAL STUDENT LOAN RESERVE	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
REVENUES						
Receipts from other entities	$ 3,696	$ -	$ 14,307	$ -	$ 115	$ 18,118
Investment income (loss)	(3)	12	18	948	732	1,707
Fees, licenses & permits	-	-	-	-	37,095	37,095
Refunds & reimbursements	4,465	-	7,696	-	132	12,293
Sales, rents & services	-	-	-	-	3,572	3,572
Miscellaneous	-	-	-	7,601	7,653	15,254
GROSS REVENUES	**8,158**	**12**	**22,021**	**8,549**	**49,299**	**88,039**
Less revenue refunds	25	-	741	-	1,651	2,417
NET REVENUES	**8,133**	**12**	**21,280**	**8,549**	**47,648**	**85,622**
EXPENDITURES						
Current:						
Administration & regulation	-	-	-	-	12,525	12,525
Education	11,345	-	17,610	3,435	844	33,234
Health & human rights	-	-	-	-	419	419
Human services	-	-	-	-	109	109
Justice & public defense	-	-	-	-	980	980
Transportation	-	-	-	-	349	349
Agriculture & natural resources	-	2	-	-	2,887	2,889
Capital outlay:						
Administration & regulation	-	-	-	-	2	2
Education	117	-	-	-	-	117
Health & human rights	-	-	-	-	21	21
Human services	-	-	-	-	258	258
Justice & public defense	-	-	-	-	264	264
Transportation	-	-	-	-	181	181
Agriculture & natural resources	-	-	-	-	19	19
Debt service:						
Principal	-	565	-	-	-	565
Interest	-	1,473	-	-	-	1,473
TOTAL EXPENDITURES	**11,462**	**2,040**	**17,610**	**3,435**	**18,858**	**53,405**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(3,329)**	**(2,028)**	**3,670**	**5,114**	**28,790**	**32,217**
OTHER FINANCING SOURCES (USES)						
Transfers in	2,322	1,473	-	-	15,542	19,337
Transfers out	(227)	-	(2,161)	(3,730)	(42,491)	(48,609)
TOTAL OTHER FINANCING SOURCES (USES)	**2,095**	**1,473**	**(2,161)**	**(3,730)**	**(26,949)**	**(29,272)**
SPECIAL ITEMS - DISPOSAL OF OPERATIONS	**-**	**-**	**(23,817)**	**-**	**-**	**(23,817)**
NET CHANGE IN FUND BALANCES	**(1,234)**	**(555)**	**(22,308)**	**1,384**	**1,841**	**(20,872)**
FUND BALANCES - JULY 1	**24,067**	**29,518**	**22,308**	**7,036**	**27,606**	**110,535**
FUND BALANCES - JUNE 30	**$ 22,833**	**$ 28,963**	**$ -**	**$ 8,420**	**$ 29,447**	**$ 89,663**


IOWA

STATE OF IOWA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Nonmajor Special Revenue Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	PRIMARY ROAD FUND				FISH AND GAME TRUST FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ 617,200	$ 617,200	$ 629,191	$ 11,991	$ 203	$ 203	$ 639	$ 436
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	-	-	-	-	-	-	-	-
Cigarette tax	-	-	-	-	-	-	-	-
Tobacco products tax	-	-	-	-	-	-	-	-
Liquor tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	5	4	1	(3)	-	-	-	-
Federal support	338,012	338,012	343,935	5,923	11,000	11,000	15,243	4,243
Local governments	4,600	4,600	10,870	6,270	-	-	-	-
Other states	3,000	3,000	13,241	10,241	-	-	-	-
Reimbursements from other agencies	160	160	61	(99)	-	-	-	-
Governmental fund type transfers from other agencies	-	1	2	1	-	-	67	67
Interest	1	1	-	(1)	200	200	31	(169)
Bonds & loans	-	-	2,508	2,508	-	-	-	-
Fees, licenses & permits	860	860	1,943	1,083	31,520	31,520	35,309	3,789
Refunds & reimbursements	-	-	-	-	200	200	852	652
Sale of real estate	1,710	1,710	2,013	303	-	-	-	-
Sale of equipment & salvage	-	-	-	-	20	20	2	(18)
Rents & leases	16	16	25	9	5	5	376	371
Agricultural sales	-	-	-	-	10	10	97	87
Other sales & services	-	-	-	-	502	502	1,484	982
Unearned receipts	-	-	-	-	5	5	98	93
Income tax checkoffs	-	-	-	-	150	150	137	(13)
Other	2,750	2,750	4,228	1,478	540	540	372	(168)
TOTAL APPROPRIATED RECEIPTS	**351,114**	**351,114**	**378,827**	**27,713**	**44,152**	**44,152**	**54,068**	**9,916**
TOTAL REVENUES AVAILABLE	**968,314**	**968,314**	**1,008,018**	**39,704**	**44,355**	**44,355**	**54,707**	**10,352**
EXPENDITURES:								
Administration & regulation	-	-	-	-	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Justice	-	-	-	-	-	-	-	-
Transportation	733,514	739,646	700,773	38,873	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	**733,514**	**739,646**	**700,773**	**38,873**	**-**	**-**	**-**	**-**
TRANSFERS	**294,174**	**294,674**	**290,990**	**3,684**	**48,078**	**48,078**	**54,895**	**(6,817)**
TOTAL EXPENDITURES & TRANSFERS	**1,027,688**	**1,034,320**	**991,763**	**42,557**	**48,078**	**48,078**	**54,895**	**(6,817)**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**(59,374)**	**(66,006)**	**16,255**	**82,261**	**(3,723)**	**(3,723)**	**(188)**	**3,535**
FUND BALANCES - JULY 1 (BUDGETARY-RESTATED)	**354,924**	**416,672**	**416,672**	**-**	**14,742**	**12,733**	**12,733**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ 295,550**	**$ 350,666**	**$ 432,927**	**$ 82,261**	**$ 11,019**	**$ 9,010**	**$ 12,545**	**$ 3,535**

(continued on next page)

STATE OF IOWA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Nonmajor Special Revenue Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)
(continued)

	REVENUE BONDS CAPITAL FUND				IOWACARE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ -	$ -	$ 24	$ 24	$ 21,533	$ 21,533	$ 16,005	$ (5,528)
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	-	-	-	-	-	-	-	-
Cigarette tax	-	-	-	-	-	-	-	-
Tobacco products tax	-	-	-	-	-	-	-	-
Liquor tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	-	-	-	-	-	-	-	-
Federal support	5,913	20	2,631	2,611	95,292	95,292	102,662	7,370
Local governments	-	-	-	-	42,000	42,000	42,000	-
Other states	-	-	-	-	-	-	-	-
Reimbursements from other agencies	-	-	-	-	-	-	-	-
Governmental fund type transfers from other agencies	-	-	66	66	-	-	-	-
Interest	150	36	28	(8)	45	45	21	(24)
Bonds & loans	-	-	-	-	-	-	-	-
Fees, licenses & permits	-	-	-	-	-	-	-	-
Refunds & reimbursements	-	-	-	-	-	-	-	-
Sale of real estate	-	-	-	-	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	-	-	-	-	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	-	-
Unearned receipts	-	-	-	-	-	-	1,275	1,275
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL APPROPRIATED RECEIPTS	**6,063**	**56**	**2,725**	**2,669**	**137,337**	**137,337**	**145,958**	**8,621**
TOTAL REVENUES AVAILABLE	**6,063**	**56**	**2,749**	**2,693**	**158,870**	**158,870**	**161,963**	**3,093**
EXPENDITURES:								
Administration & regulation	43,398	87,884	55,656	32,228	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	73,547	74,547	71,491	3,056
Justice	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	**43,398**	**87,884**	**55,656**	**32,228**	**73,547**	**74,547**	**71,491**	**3,056**
TRANSFERS	**363**	**569**	**314**	**255**	**94,203**	**104,647**	**89,269**	**15,378**
TOTAL EXPENDITURES & TRANSFERS	**43,761**	**88,453**	**55,970**	**32,483**	**167,750**	**179,194**	**160,760**	**18,434**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**(37,698)**	**(88,397)**	**(53,221)**	**35,176**	**(8,880)**	**(20,324)**	**1,203**	**21,527**
FUND BALANCES - JULY 1 (BUDGETARY-RESTATED)	**43**	**106,622**	**106,622**	**-**	**1,614**	**4,503**	**4,503**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ (37,655)**	**$ 18,225**	**$ 53,401**	**$ 35,176**	**$ (7,266)**	**$ (15,821)**	**$ 5,706**	**$ 21,527**

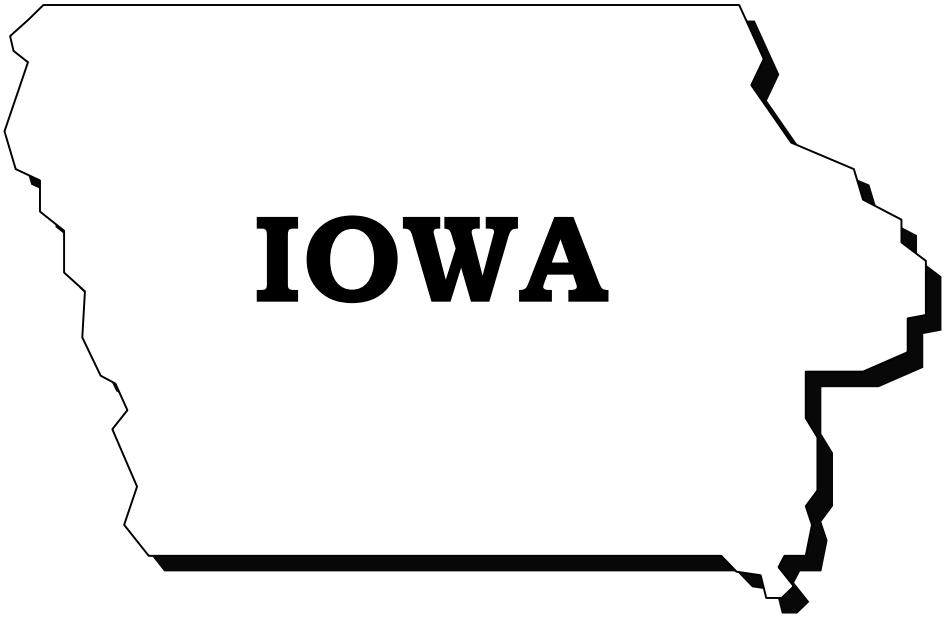
(continued on next page)

STATE OF IOWA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Nonmajor Special Revenue Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)
(continued)

	OTHER FUNDS				TOTAL			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ 117,307	$ 117,770	$ 63,398	$ (54,372)	$ 756,243	$ 756,706	$ 709,257	$ (47,449)
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	25	25	24	(1)	25	25	24	(1)
Cigarette tax	106,016	100,016	96,222	(3,794)	106,016	100,016	96,222	(3,794)
Tobacco products tax	-	6,000	9,795	3,795	-	6,000	9,795	3,795
Liquor tax	200	200	264	64	200	200	264	64
Other taxes	1,168	1,168	1,334	166	1,168	1,168	1,334	166
Wagering tax receipts	5,000	5,000	24,996	19,996	5,000	5,000	24,996	19,996
Individual income tax quarterly	4,000	4,000	4,000	-	4,000	4,000	4,000	-
Sales tax - DOT	-	-	-	-	5	4	1	(3)
Federal support	68,685	69,527	60,118	(9,409)	518,902	513,851	524,589	10,738
Local governments	1,100	1,100	926	(174)	47,700	47,700	53,796	6,096
Other states	-	-	-	-	3,000	3,000	13,241	10,241
Reimbursements from other agencies	3,537	3,537	1,475	(2,062)	3,697	3,697	1,536	(2,161)
Governmental fund type transfers from other agencies	-	-	3,513	3,513	-	1	3,648	3,647
Interest	6,781	6,783	1,162	(5,621)	7,177	7,065	1,242	(5,823)
Bonds & loans	5,050	5,050	4,824	(226)	5,050	5,050	7,332	2,282
Fees, licenses & permits	71,060	71,057	72,777	1,720	103,440	103,437	110,029	6,592
Refunds & reimbursements	19,853	5,870	19,227	13,357	20,053	6,070	20,079	14,009
Sale of real estate	-	-	-	-	1,710	1,710	2,013	303
Sale of equipment & salvage	-	-	-	-	20	20	2	(18)
Rents & leases	-	-	-	-	21	21	401	380
Agricultural sales	-	-	-	-	10	10	97	87
Other sales & services	535	535	907	372	1,037	1,037	2,391	1,354
Unearned receipts	305	305	235	(70)	310	310	1,608	1,298
Income tax checkoffs	-	-	-	-	150	150	137	(13)
Other	773	774	384	(390)	4,063	4,064	4,984	920
TOTAL APPROPRIATED RECEIPTS	**294,088**	**280,947**	**302,183**	**21,236**	**832,754**	**813,606**	**883,761**	**70,155**
TOTAL REVENUES AVAILABLE	**411,395**	**398,717**	**365,581**	**(33,136)**	**1,588,997**	**1,570,312**	**1,593,018**	**22,706**
EXPENDITURES:								
Administration & regulation	116,917	161,921	107,175	54,746	160,315	249,805	162,831	86,974
Agriculture & natural resources	22,531	22,531	11,084	11,447	22,531	22,531	11,084	11,447
Economic development	52,900	53,227	17,905	35,322	52,900	53,227	17,905	35,322
Education	16,591	16,546	14,166	2,380	16,591	16,546	14,166	2,380
Health & human services	5,745	6,335	7,848	(1,513) *	79,292	80,882	79,339	1,543
Justice	14,000	9,320	7,531	1,789	14,000	9,320	7,531	1,789
Transportation	3	4	3,950	(3,946) *	733,517	739,650	704,723	34,927
Judicial	3,483	3,483	2,992	491	3,483	3,483	2,992	491
TOTAL EXPENDITURES	**232,170**	**273,367**	**172,651**	**100,716**	**1,082,629**	**1,175,444**	**1,000,571**	**174,873**
TRANSFERS	**261,587**	**277,360**	**245,089**	**32,271**	**698,405**	**725,328**	**680,557**	**44,771**
TOTAL EXPENDITURES & TRANSFERS	**493,757**	**550,727**	**417,740**	**132,987**	**1,781,034**	**1,900,772**	**1,681,128**	**219,644**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**(82,362)**	**(152,010)**	**(52,159)**	**99,851**	**(192,037)**	**(330,460)**	**(88,110)**	**242,350**
FUND BALANCES - JULY 1 (BUDGETARY-RESTATED)	**144,408**	**285,766**	**285,766**	**-**	**515,731**	**826,296**	**826,296**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ 62,046**	**$ 133,756**	**$ 233,607**	**$ 99,851**	**$ 323,694**	**$ 495,836**	**$ 738,186**	**$ 242,350**

* Actual expenditures exceeded budgeted expenditures as a result of the receipt and legal expenditure of other non-state funds which have been received for restricted purposes. In the Special Revenue Funds this occurred in the Nonpartcipating Provider Reimbursement Fund and Health Care Transformation Fund in the Health & Human Services function; and the State Aviation Fund in the Transportation function.


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Capital Projects Funds

Capital Projects Funds are used to account for the construction of major capital facilities other than those financed by proprietary funds and trust funds.

General Services Capitals Fund is used to account for various building projects.

Endowment for Iowa's Health Restricted Capitals Fund receives the tax-exempt portion of the Tobacco Settlement Authority's refunding of the tobacco bonds for capital project expenditures as allowed in the tax certificate of the refinancing.

Marine Fuel Tax Capitals Fund is used to account for the acquisition of water access, development projects, water safety stations, marinas and any other project which improves water recreation.

2009 Prison Bonding Fund received net proceeds from the Prison Infrastructure revenue bonds to be used for prison improvements and prison construction projects.

Other Capital Projects Funds are aggregated for reporting purposes and account for land acquisition and capital projects related to fish and wildlife, construction of various armories, prison expansion programs and other specific projects.

STATE OF IOWA

Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2013
(Expressed in Thousands)

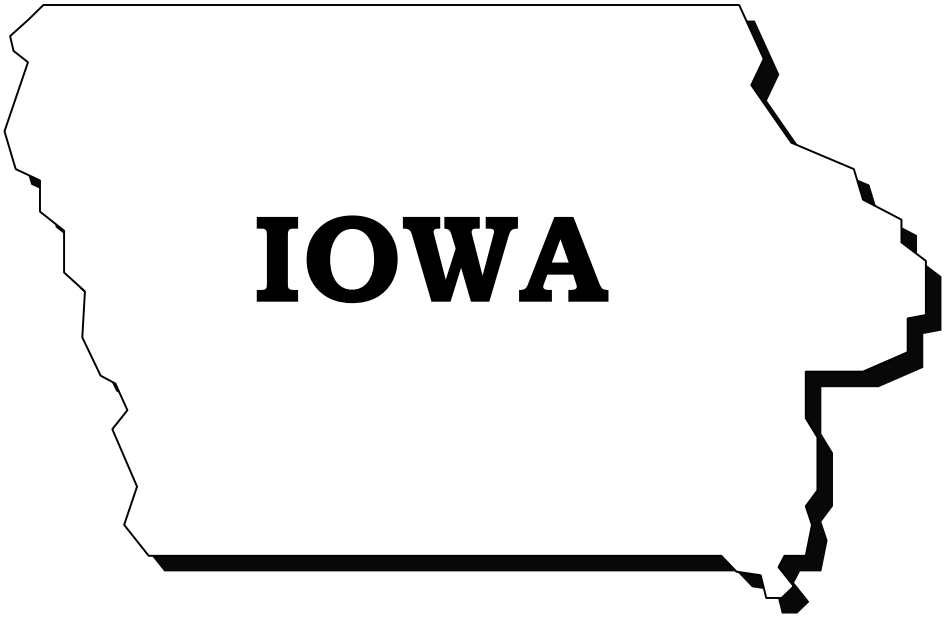
	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	2009 PRISON BONDING FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 6,183	$ 1,911	$ 7,030	$ 1,415	$ 945	$ 17,484
Deposits with trustees	-	-	-	-	81	81
Accounts receivable	-	85	448	-	10	543
Due from other funds	306	81	266	-	2,641	3,294
TOTAL ASSETS	**$ 6,489**	**$ 2,077**	**$ 7,744**	**$ 1,415**	**$ 3,677**	**$ 21,402**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	$ 3,911	$ 104	$ 658	$ -	$ 1,222	$ 5,895
Due to other funds	100	2	69	-	152	323
Deferred revenue	-	-	27	-	-	27
TOTAL LIABILITIES	**4,011**	**106**	**754**	**-**	**1,374**	**6,245**
FUND BALANCES						
Spendable:						
Restricted	-	1,971	-	1,415	81	3,467
Committed	2,478	-	6,990	-	2,222	11,690
TOTAL FUND BALANCES	**2,478**	**1,971**	**6,990**	**1,415**	**2,303**	**15,157**
TOTAL LIABILITIES & FUND BALANCES	**$ 6,489**	**$ 2,077**	**$ 7,744**	**$ 1,415**	**$ 3,677**	**$ 21,402**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	2009 PRISON BONDING FUND	OTHER FUNDS	TOTAL
REVENUES						
Receipts from other entities	$ 2,180	$ 1,093	$ 605	$ -	$ 44	$ 3,922
Investment income	-	-	-	1	-	1
Refunds & reimbursements	-	8	686	-	-	694
TOTAL REVENUES	**2,180**	**1,101**	**1,291**	**1**	**44**	**4,617**
EXPENDITURES						
Current:						
Health & human rights	-	16	-	-	-	16
Agriculture & natural resources	-	-	426	-	8,131	8,557
Capital outlay:						
Administration & regulation	828	35	-	-	161	1,024
Education	255	17	-	-	-	272
Health & human rights	5,566	15	-	-	-	5,581
Human services	1,065	-	-	-	-	1,065
Justice & public defense	9,593	2,366	-	21,839	67	33,865
Economic development	-	107	-	-	-	107
Agriculture & natural resources	31	-	2,864	-	6,368	9,263
Debt service:						
Principal	-	-	-	-	7,145	7,145
Interest	-	-	-	-	1,254	1,254
TOTAL EXPENDITURES	**17,338**	**2,556**	**3,290**	**21,839**	**23,126**	**68,149**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(15,158)**	**(1,455)**	**(1,999)**	**(21,838)**	**(23,082)**	**(63,532)**
OTHER FINANCING SOURCES (USES)						
Transfers in	16,632	-	2,814	-	23,050	42,496
Transfers out	-	(885)	(698)	-	(333)	(1,916)
TOTAL OTHER FINANCING SOURCES (USES)	**16,632**	**(885)**	**2,116**	**-**	**22,717**	**40,580**
NET CHANGE IN FUND BALANCES	**1,474**	**(2,340)**	**117**	**(21,838)**	**(365)**	**(22,952)**
FUND BALANCES - JULY 1	**1,004**	**4,311**	**6,873**	**23,253**	**2,668**	**38,109**
FUND BALANCES - JUNE 30	**$ 2,478**	**$ 1,971**	**$ 6,990**	**$ 1,415**	**$ 2,303**	**$ 15,157**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Permanent Funds

Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizens.

Permanent School Principal Fund accounts for the principal derived from the sale of specific land. The interest is to be used for educational purposes.

Iowa Cultural Trust Fund accounts for assets held for the Iowa Cultural Trust. The principal is preserved and applicable interest is transferred to the Cultural Grant Fund to be used for purposes consistent with the Trust.

Iowa Public Television Foundation Endowment is used to hold a restricted gift made to Iowa Pubic Television. While the corpus of the gift is not available to spend, the earnings of the gift are restricted for the acquisition and/or production of quality family programming. Earnings are transferred to the Iowa Public Television Foundation.

Pilot Grove Trust Fund accounts for a $10,000 donation in support and maintenance of the Pilot Grove area. Interest is credited to the Pilot Grove Maintenance Fund, a Special Revenue Fund.

Henry Albert Trust Fund accounts for a bequest to the State of Iowa. Interest is credited to the Department of Public Health.

STATE OF IOWA

Combining Balance Sheet
Nonmajor Permanent Funds

June 30, 2013
(Expressed in Thousands)

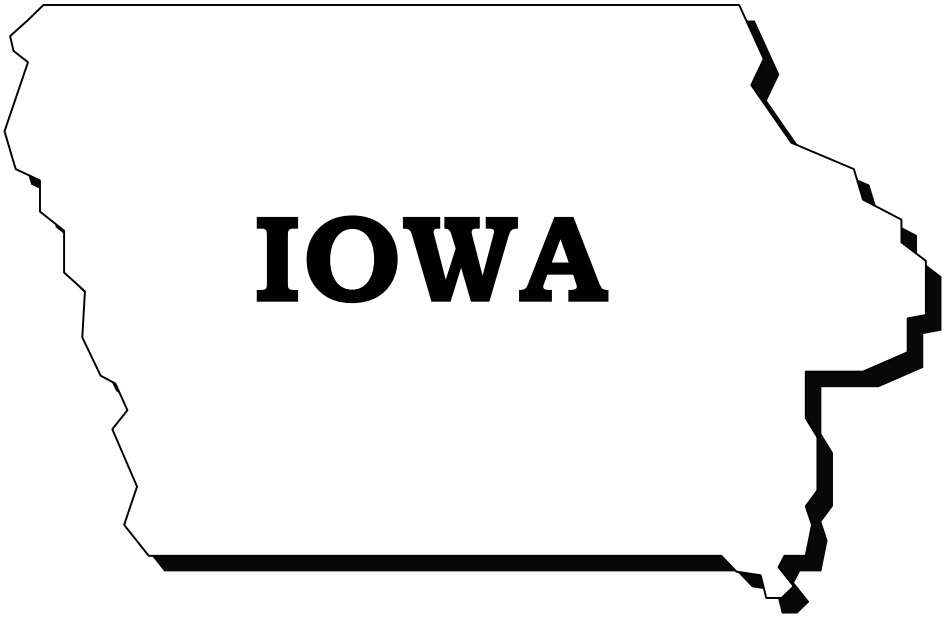
	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENERY ALBERT TRUST FUND	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 8,033	$ 6,236	$ 1,799	$ 10	$ 1	$ 16,079
TOTAL ASSETS	**$ 8,033**	**$ 6,236**	**$ 1,799**	**$ 10**	**$ 1**	**$ 16,079**
FUND BALANCES						
Nonspendable	8,033	6,236	1,799	10	1	16,079
TOTAL FUND BALANCES	**$ 8,033**	**$ 6,236**	**$ 1,799**	**$ 10**	**$ 1**	**$ 16,079**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENERY ALBERT TRUST FUND	TOTAL
REVENUES						
Investment income	$ -	$ -	$ 316	$ -	$ -	$ 316
Miscellaneous	1	-	76	-	-	77
TOTAL REVENUES	**1**	**-**	**392**	**-**	**-**	**393**
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	(316)	-	-	(316)
NET CHANGE IN FUND BALANCES	**1**	**-**	**76**	**-**	**-**	**77**
FUND BALANCES - JULY 1	**8,032**	**6,236**	**1,723**	**10**	**1**	**16,002**
FUND BALANCES - JUNE 30	**$ 8,033**	**$ 6,236**	**$ 1,799**	**$ 10**	**$ 1**	**$ 16,079**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Enterprise Funds

Enterprise Funds account for activities for which fees are charged to external users for goods and services. This fund type is also used when the activity is financed with debt that is secured with fees and charges, as well as when the pricing policy of the activity is designated to recover its costs.

Iowa Communications Network accounts for a statewide telecommunications system and its related revenues and expenses.

Honey Creek Park is used to account for development of the destination park and park operations.

Liquor Control Act is used to account for the revenues and expenses related to the sale of alcoholic beverages.

Iowa State Prison Industries accounts for the revenues and expenses related to the sale of products made by prison industries.

Other Enterprise Funds are aggregated for reporting purposes and account for other miscellaneous activities that meet the definition of Enterprise Funds.

STATE OF IOWA

Combining Statement of Net Position
Nonmajor Enterprise Funds

June 30, 2013
(Expressed in Thousands)

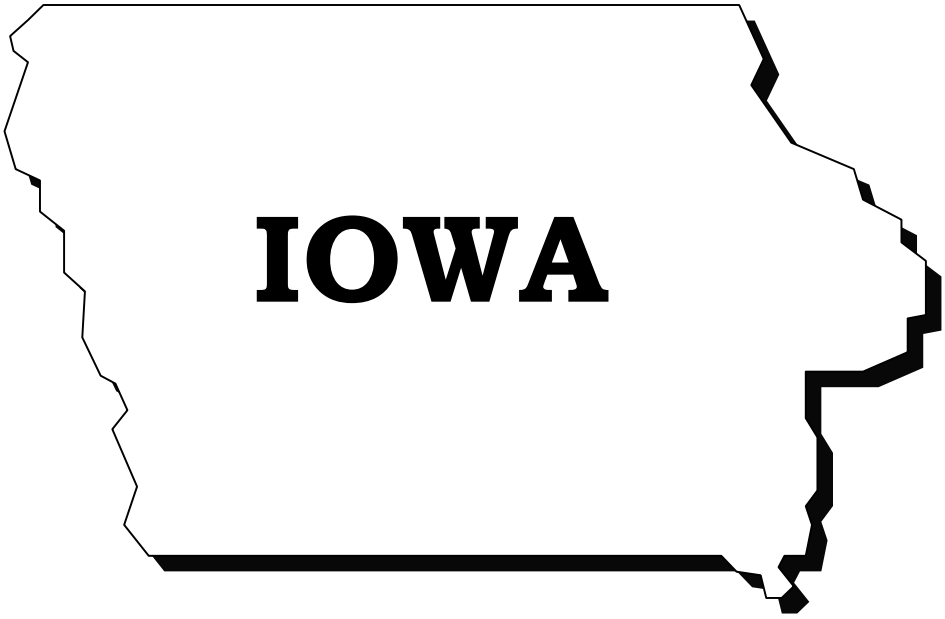
	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 14,185	$ 657	$ 8,239	$ 4,394	$ 2,267	$ 29,742
Accounts receivable (net)	11,546	131	7,114	3,320	358	22,469
Interest receivable	10	-	-	-	-	10
Due from other funds	-	-	21	-	24	45
Inventory	2,558	179	1,285	9,795	1,588	15,405
Prepaid expenses	-	203	8	41	250	502
Total current assets	28,299	1,170	16,667	17,550	4,487	68,173
Noncurrent assets:						
Capital assets - nondepreciable	133	-	1,632	223	440	2,428
Capital assets - depreciable (net)	21,829	49,700	5	5,063	1,281	77,878
Prepaid expenses	378	-	-	-	-	378
Total noncurrent assets	22,340	49,700	1,637	5,286	1,721	80,684
TOTAL ASSETS	**50,639**	**50,870**	**18,304**	**22,836**	**6,208**	**148,857**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	7,325	572	7,088	1,586	128	16,699
Due to other funds/advances from other funds	-	650	6,282	-	110	7,042
Unearned revenue	3,073	621	-	15	99	3,808
Compensated absences	723	-	236	633	223	1,815
Total current liabilities	11,121	1,843	13,606	2,234	560	29,364
Noncurrent liabilities:						
Accounts payable & accruals	419	-	324	592	157	1,492
Due to other funds/advances from other funds	-	25,930	-	-	-	25,930
Compensated absences	649	-	139	1,062	286	2,136
Total noncurrent liabilities	1,068	25,930	463	1,654	443	29,558
TOTAL LIABILITIES	**12,189**	**27,773**	**14,069**	**3,888**	**1,003**	**58,922**
NET POSITION						
Net investment in capital assets	21,962	49,700	1,637	5,286	1,721	80,306
Unrestricted	16,488	(26,603)	2,598	13,662	3,484	9,629
TOTAL NET POSITION	**$ 38,450**	**$ 23,097**	**$ 4,235**	**$ 18,948**	**$ 5,205**	**$ 89,935**

STATE OF IOWA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds

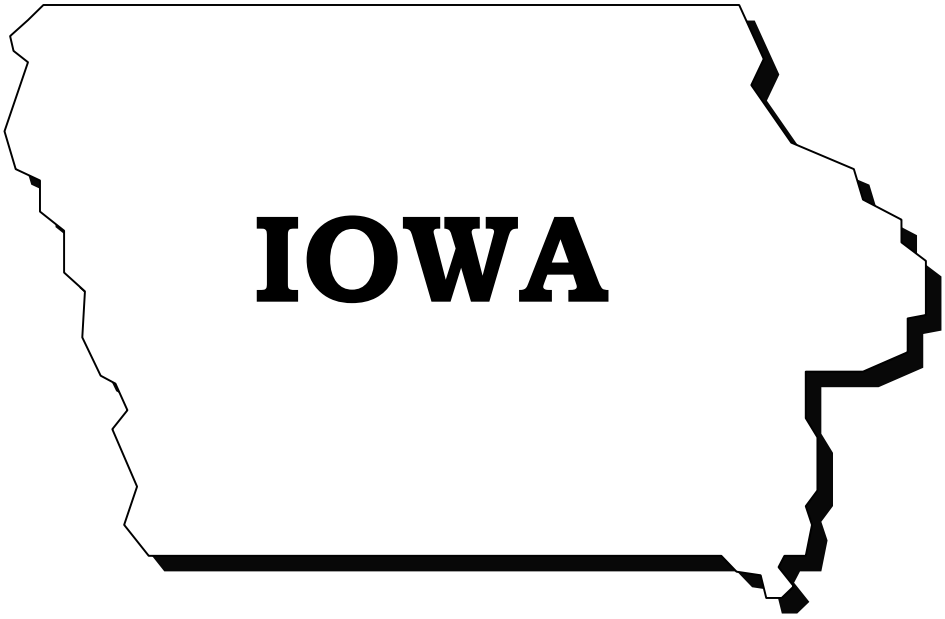
For the Year Ended June 30, 2013
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Fees, licenses & permits	$ -	$ -	$ 16,120	$ -	$ 3,244	$ 19,364
Refunds & reimbursements	-	181	414	-	263	858
Sales, rents & services	32,139	6,067	255,835	24,047	1,551	319,639
Miscellaneous	-	-	2,064	-	671	2,735
TOTAL OPERATING REVENUES	**32,139**	**6,248**	**274,433**	**24,047**	**5,729**	**342,596**
OPERATING EXPENSES						
General & administrative	11,101	1,535	-	38	-	12,674
Depreciation	6,480	1,751	18	583	258	9,090
Direct & other	11,125	-	-	17,276	584	28,985
Personal services	-	-	4,592	1,286	3,009	8,887
Travel & subsistence	-	-	642	30	55	727
Supplies & materials	-	-	234	60	159	453
Contractual services	-	4,294	5,123	1,928	1,186	12,531
Equipment & repairs	-	-	666	3	69	738
Claims & miscellaneous	11,384	226	165,931	804	96	178,441
Licenses, permits & refunds	-	-	750	-	7	757
State aid & credits	-	-	3,656	-	-	3,656
TOTAL OPERATING EXPENSES	**40,090**	**7,806**	**181,612**	**22,008**	**5,423**	**256,939**
OPERATING INCOME (LOSS)	**(7,951)**	**(1,558)**	**92,821**	**2,039**	**306**	**85,657**
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	-	7,463	-	-	7,463
Investment income	33	-	-	3	-	36
Gain on sale of capital assets	-	-	-	56	22	78
NET NONOPERATING REVENUES	**33**	**-**	**7,463**	**59**	**22**	**7,577**
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	**(7,918)**	**(1,558)**	**100,284**	**2,098**	**328**	**93,234**
Capital contributions & grants	4,244	2,210	-	-	-	6,454
Transfers in	3,176	-	-	-	-	3,176
Transfers out	-	(1,473)	(98,792)	-	-	(100,265)
CHANGE IN NET POSITION	**(498)**	**(821)**	**1,492**	**2,098**	**328**	**2,599**
TOTAL NET POSITION - JULY 1	**38,948**	**23,918**	**2,743**	**16,850**	**4,877**	**87,336**
TOTAL NET POSITION - JUNE 30	**$ 38,450**	**$ 23,097**	**$ 4,235**	**$ 18,948**	**$ 5,205**	**$ 89,935**


IOWA

STATE OF IOWA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 33,754	$ 6,303	$ 271,904	$ 24,140	$ 4,960	$ 341,061
Cash received from miscellaneous	-	-	2,478	-	671	3,149
Cash payments to suppliers for goods & services	(23,043)	(6,676)	(179,888)	(21,212)	(2,401)	(233,220)
Cash payments to employees for services	(8,850)	-	(4,471)	(1,299)	(2,949)	(17,569)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**1,861**	**(373)**	**90,023**	**1,629**	**281**	**93,421**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	3,176	-	-	-	-	3,176
Transfers out to other funds	-	(1,473)	(93,994)	-	-	(95,467)
Tax receipts	-	-	7,463	-	-	7,463
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**3,176**	**(1,473)**	**(86,531)**	**-**	**-**	**(84,828)**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	(7,150)	(198)	(1,429)	(835)	(303)	(9,915)
Capital grants & contributions	4,244	2,210	-	-	-	6,454
Proceeds from sale of capital assets	-	-	-	56	22	78
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	**(2,906)**	**2,012**	**(1,429)**	**(779)**	**(281)**	**(3,383)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	42	-	-	3	-	45
NET CASH PROVIDED BY INVESTING ACTIVITIES	**42**	**-**	**-**	**3**	**-**	**45**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**2,173**	**166**	**2,063**	**853**	**-**	**5,255**
CASH & CASH EQUIVALENTS - JULY 1	**12,012**	**491**	**6,176**	**3,541**	**2,267**	**24,487**
CASH & CASH EQUIVALENTS - JUNE 30	**$ 14,185**	**$ 657**	**$ 8,239**	**$ 4,394**	**$ 2,267**	**$ 29,742**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ (7,951)	$ (1,558)	$ 92,821	$ 2,039	$ 306	$ 85,657
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	6,480	1,751	18	583	258	9,090
(Increase) decrease in accounts receivable	1,484	9	(33)	85	(87)	1,458
(Increase) decrease in due from	-	-	(18)	-	(10)	(28)
(Increase) decrease in inventory	78	(19)	328	(1,486)	(159)	(1,258)
(Increase) decrease in prepaid expenses	188	(68)	(3)	170	(41)	246
Increase (decrease) in accounts payable	1,495	31	(3,211)	205	(18)	(1,498)
Increase (decrease) in due to	-	(565)	-	-	(27)	(592)
Increase (decrease) in unearned revenue	131	46	-	8	(1)	184
Increase (decrease) in compensated absences	(44)	-	121	25	60	162
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ 1,861**	**$ (373)**	**$ 90,023**	**$ 1,629**	**$ 281**	**$ 93,421**


IOWA

COMBINING FINANCIAL STATEMENTS

Internal Service Funds

Internal Service Funds account for State activities that provide goods and services to other State departments or agencies on a cost reimbursement basis.

Workers' Compensation Fund receives funds associated with the workers' compensation program to pay claims and administrative support costs.

Materials & Equipment Revolving Fund accounts for the purchase, repair, maintenance and replacement of equipment, machinery and supplies used by the Department of Transportation.

Depreciation Revolving Fund receives monthly depreciation payments from State departments owning vehicles. The money is used to purchase replacement vehicles for the departments.

Information Technology Revolving Fund provides data processing services to other State departments or agencies.

Other Internal Service Funds are aggregated for reporting purposes and account for other miscellaneous activities that meet the definition of Internal Service Funds.

STATE OF IOWA

Combining Statement of Net Position
Internal Service Funds

June 30, 2013
(Expressed in Thousands)

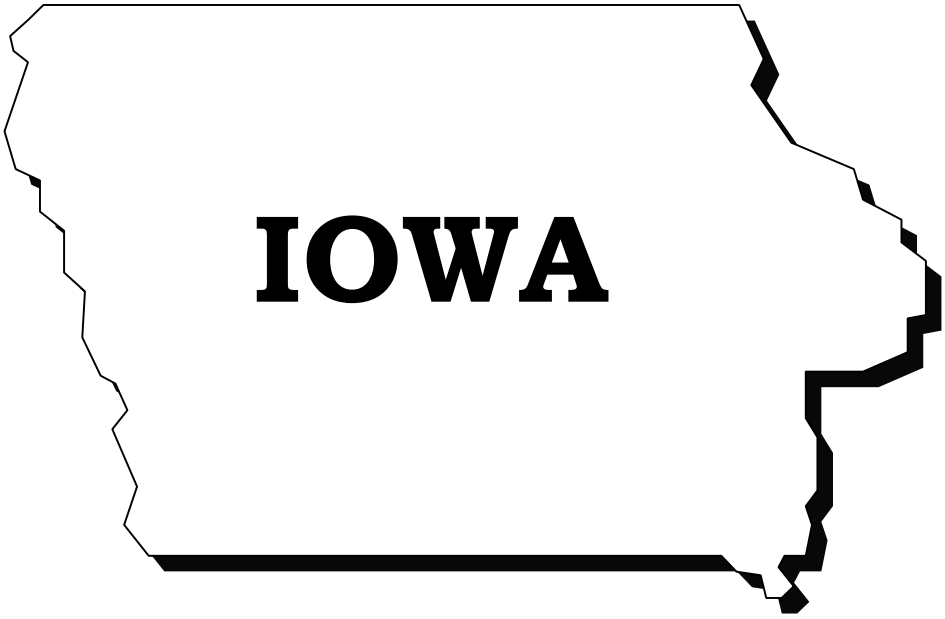
	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 3,872	$ 14,681	$ 17,277	$ 4,360	$ 16,570	$ 56,760
Accounts receivable (net)	40	143	5	10	1,097	1,295
Due from other funds/advances to other funds	52,711	304	3,842	6,147	13,385	76,389
Inventory	-	5,602	59	60	1,971	7,692
Prepaid expenses	-	-	-	809	1,060	1,869
Total current assets	56,623	20,730	21,183	11,386	34,083	144,005
Noncurrent assets:						
Due from other funds/ advances to other funds	-	-	445	-	-	445
Capital assets - depreciable (net)	-	94,941	-	1,651	3,337	99,929
Total noncurrent assets	-	94,941	445	1,651	3,337	100,374
TOTAL ASSETS	**56,623**	**115,671**	**21,628**	**13,037**	**37,420**	**244,379**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	14,939	2,872	893	2,505	4,081	25,290
Due to other funds/advances from other funds	33	123	-	1,511	10,708	12,375
Unearned revenue	-	-	19,464	-	75	19,539
Compensated absences	-	467	-	1,090	1,304	2,861
Total current liabilities	14,972	3,462	20,357	5,106	16,168	60,065
Noncurrent liabilities:						
Accounts payable & accruals	41,651	500	-	704	1,300	44,155
Due to other funds/advances from other funds	-	-	-	-	445	445
Compensated absences	-	754	-	942	1,546	3,242
Total noncurrent liabilities	41,651	1,254	-	1,646	3,291	47,842
TOTAL LIABILITIES	**56,623**	**4,716**	**20,357**	**6,752**	**19,459**	**107,907**
NET POSITION						
Net investment in capital assets	-	94,941	-	1,651	3,337	99,929
Unrestricted	-	16,014	1,271	4,634	14,624	36,543
TOTAL NET POSITION	**$ -**	**$ 110,955**	**$ 1,271**	**$ 6,285**	**$ 17,961**	**$ 136,472**

STATE OF IOWA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Receipts from other entities	$ 28,204	$ 6,027	$ 10,105	$ 41,571	$ 52,301	$ 138,208
Fees, licenses & permits	-	-	-	3	-	3
Refunds & reimbursements	354	55,975	215	3	1,517	58,064
Sales, rents & services	-	-	1,432	91	206	1,729
Miscellaneous	-	4,925	-	-	83	5,008
TOTAL OPERATING REVENUES	**28,558**	**66,927**	**11,752**	**41,668**	**54,107**	**203,012**
OPERATING EXPENSES						
Depreciation	-	13,092	-	665	667	14,424
Personal services	-	5,212	-	11,774	14,863	31,849
Travel & subsistence	-	13,294	41	64	11,370	24,769
Supplies & materials	-	23,974	-	913	15,673	40,560
Contractual services	2,402	1,850	-	21,101	8,198	33,551
Equipment & repairs	-	3,856	11,457	7,486	2,251	25,050
Claims & miscellaneous	26,156	-	-	157	1,614	27,927
Licenses, permits & refunds	-	3	-	-	5	8
TOTAL OPERATING EXPENSES	**28,558**	**61,281**	**11,498**	**42,160**	**54,641**	**198,138**
OPERATING INCOME (LOSS)	**-**	**5,646**	**254**	**(492)**	**(534)**	**4,874**
NONOPERATING REVENUES (EXPENSES)						
Investment income (loss)	-	-	-	(1)	15	14
Gain on sale of capital assets	-	-	-	-	27	27
Loss on sale of capital assets	-	(199)	-	(77)	-	(276)
NET NONOPERATING REVENUES (EXPENSES)	**-**	**(199)**	**-**	**(78)**	**42**	**(235)**
CHANGE IN NET POSITION	**-**	**5,447**	**254**	**(570)**	**(492)**	**4,639**
TOTAL NET POSITION - JULY 1	**-**	**105,508**	**1,017**	**6,855**	**18,453**	**131,833**
TOTAL NET POSITION - JUNE 30	**$ -**	**$ 110,955**	**$ 1,271**	**$ 6,285**	**$ 17,961**	**$ 136,472**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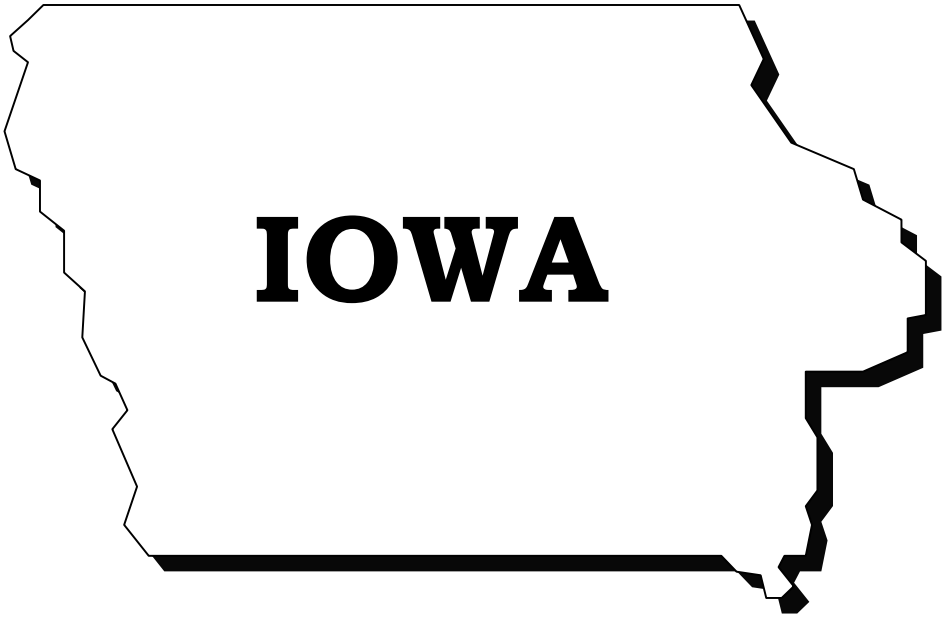
STATE OF IOWA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from other entities	$ 354	$ 10,829	$ 1,445	$ 124	$ 1,681	$ 14,433
Cash received from reciprocal interfund activity	24,629	56,098	7,899	39,419	52,218	180,263
Cash payments to suppliers for goods & services	(24,302)	(43,196)	(9,391)	(28,879)	(40,346)	(146,114)
Cash payments to employees for services	-	(5,322)	-	(11,532)	(14,431)	(31,285)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**681**	**18,409**	**(47)**	**(868)**	**(878)**	**17,297**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	-	(16,127)	-	(737)	(979)	(17,843)
NET CASH USED BY CAPITAL & RELATED FINANCING ACTIVITIES	**-**	**(16,127)**	**-**	**(737)**	**(979)**	**(17,843)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	-	-	-	(1)	15	14
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**-**	**-**	**-**	**(1)**	**15**	**14**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**681**	**2,282**	**(47)**	**(1,606)**	**(1,842)**	**(532)**
CASH & CASH EQUIVALENTS - JULY 1	**3,191**	**12,399**	**17,324**	**5,966**	**18,412**	**57,292**
CASH & CASH EQUIVALENTS - JUNE 30	**$ 3,872**	**$ 14,681**	**$ 17,277**	**$ 4,360**	**$ 16,570**	**$ 56,760**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ -	$ 5,646	$ 254	$ (492)	$ (534)	$ 4,874
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	13,092	-	665	667	14,424
(Increase) decrease in accounts receivable	-	(123)	13	27	(125)	(208)
(Increase) decrease in due from	(3,575)	22	(2,417)	(2,222)	(742)	(8,934)
(Increase) decrease in inventory	-	117	1,324	(19)	(433)	989
(Increase) decrease in prepaid expenses	-	-	-	258	515	773
Increase (decrease) in accounts payable	4,256	(336)	783	603	(687)	4,619
Increase (decrease) in due to	-	101	(17)	105	584	773
Increase (decrease) in unearned revenue	-	-	13	(35)	75	53
Increase (decrease) in compensated absences	-	(110)	-	242	432	564
Increase (decrease) in capital leases	-	-	-	-	(630)	(630)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ 681**	**$ 18,409**	**$ (47)**	**$ (868)**	**$ (878)**	**$ 17,297**


IOWA

COMBINING FINANCIAL STATEMENTS

Pension and Other Employee Benefit Funds

Pension Funds account for transactions, assets, liabilities and net position available for plan benefits of the various State employee retirement systems. See NOTE 15 - PENSION PLANS.

Insurance Fund receives converted sick leave dollars of Department of Public Safety retirees under the Peace Officers contract to pay health and/or life benefits.

SPOC Insurance Fund receives converted sick leave dollars of Department of Natural Resources retirees under the Peace Officers contract to pay health and/or life benefits.

STATE OF IOWA

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Funds

June 30, 2013
(Expressed in Thousands)

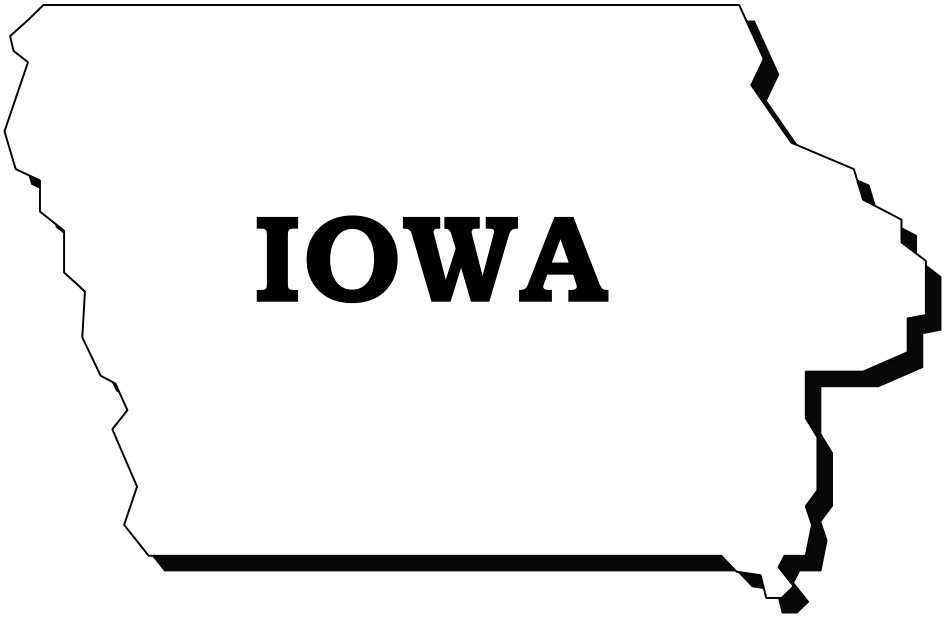
	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ASSETS						
Cash & cash equivalents	$ 384,707	$ 6,027	$ 2,830	$ 376	$ 2,600	$ 396,540
Receivables:						
Contributions	68,043	1,019	250	115	-	69,427
Investments sold	690,188	5,747	4,533	-	-	700,468
Foreign exchange contracts	1,559,890	-	-	-	-	1,559,890
Interest & dividends	68,791	993	-	-	-	69,784
Total receivables	2,386,912	7,759	4,783	115	-	2,399,569
Investments, at fair value:						
Fixed income securities	7,936,897	81,093	33,589	-	-	8,051,579
Equity investments	10,499,714	212,042	84,204	-	-	10,795,960
Real estate partnerships	1,968,706	15,825	4,929	-	-	1,989,460
Investment in private equity/debt	2,860,369	-	-	-	-	2,860,369
Real assets	1,412,915	-	-	-	-	1,412,915
Securities lending collateral pool	458,270	8,869	2,000	-	-	469,139
Securities on loan with brokers	-	8,655	1,954	-	-	10,609
Total investments	25,136,871	326,484	126,676	-	-	25,590,031
Capital assets:						
Land	500	-	-	-	-	500
Other - depreciable (net)	25,566	-	-	-	-	25,566
Total capital assets	26,066	-	-	-	-	26,066
Other assets	91	-	-	-	-	91
TOTAL ASSETS	**27,934,647**	**340,270**	**134,289**	**491**	**2,600**	**28,412,297**
LIABILITIES						
Accounts payable & accruals	1,590,490	331	121	-	-	1,590,942
Payable for investments purchased	997,898	1,150	3,239	-	-	1,002,287
Payable to brokers for rebate & collateral	467,553	8,869	2,000	-	-	478,422
TOTAL LIABILITIES	**3,055,941**	**10,350**	**5,360**	**-**	**-**	**3,071,651**
NET POSITION						
Held in trust for pension/other postemployment benefits	$ 24,878,706	$ 329,920	$ 128,929	$ 491	$ 2,600	$ 25,340,646

STATE OF IOWA

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ADDITIONS						
Contributions:						
Member contributions	$ 404,654	$ 4,512	$ 2,460	$ 405	$ 76	$ 412,107
Employer contributions	602,444	11,778	8,050	-	-	622,272
Buy-back/buy-in contributions	12,011	-	-	-	-	12,011
Total contributions	1,019,109	16,290	10,510	405	76	1,046,390
Investment income:						
Net increase (decrease) in fair value of investments	1,867,468	15,145	15,120	(1)	-	1,897,732
Interest	255,346	4,645	1,411	2	-	261,404
Dividends	121,850	3,158	1,064	-	-	126,072
Other	144,024	23,818	-	-	-	167,842
Total investment income	2,388,688	46,766	17,595	1	-	2,453,050
Less investment expense	50,487	1,707	377	-	-	52,571
Net investment income	2,338,201	45,059	17,218	1	-	2,400,479
TOTAL ADDITIONS	**3,357,310**	**61,349**	**27,728**	**406**	**76**	**3,446,869**
DEDUCTIONS						
Pension & annuity benefits	1,667,469	24,077	10,015	-	-	1,701,561
Payments in accordance with agreements	-	-	-	688	454	1,142
Administrative expense	12,078	175	9	-	-	12,262
Refunds	42,598	-	-	-	-	42,598
TOTAL DEDUCTIONS	**1,722,145**	**24,252**	**10,024**	**688**	**454**	**1,757,563**
CHANGE IN NET POSITION	**1,635,165**	**37,097**	**17,704**	**(282)**	**(378)**	**1,689,306**
NET POSITION - JULY 1	**23,243,541**	**292,823**	**111,225**	**773**	**2,978**	**23,651,340**
NET POSITION - JUNE 30	**$ 24,878,706**	**$ 329,920**	**$ 128,929**	**$ 491**	**$ 2,600**	**$ 25,340,646**


IOWA

COMBINING FINANCIAL STATEMENTS

Private Purpose Trust Funds

Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Iowa Educational Savings Plan Trust receives contributions from participants for investment for future application towards payment of higher education costs for designated beneficiaries.

Iowa Veterans Trust Fund accounts for assets held for the benefit of veterans. The principal is maintained and the applicable interest is transferred to the Veterans Affairs Commission to be used for purposes consistent with the Trust. New legislation amended the fund to allow a portion of the principal to be transferred out of the fund to establish the Iowa Veterans Cemetery.

Braille & Sight Saving School Fund receives donations and contributions to be spent for the benefit of the students.

Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) Fund accounts for receipts that are set aside for a scholarship program for students who were in the 7th grade in 2009.

Other Private Purpose Trust Funds aggregates the Health Organization Insolvency Fund that received a nonrefundable remittance to cover administration costs if a Health Maintenance Organization (HMO) or Limited Service Organization (LSO) declares bankruptcy, donations and fund raising receipts for the benefit of veteran residents and the Wagner Award Fund that received a bequest by Ruth Wagner to present an annual recognition to the outstanding soil district commissioner who is 40 years or younger to be presented each year at the annual state conference.

STATE OF IOWA

Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds

June 30, 2013
(Expressed in Thousands)

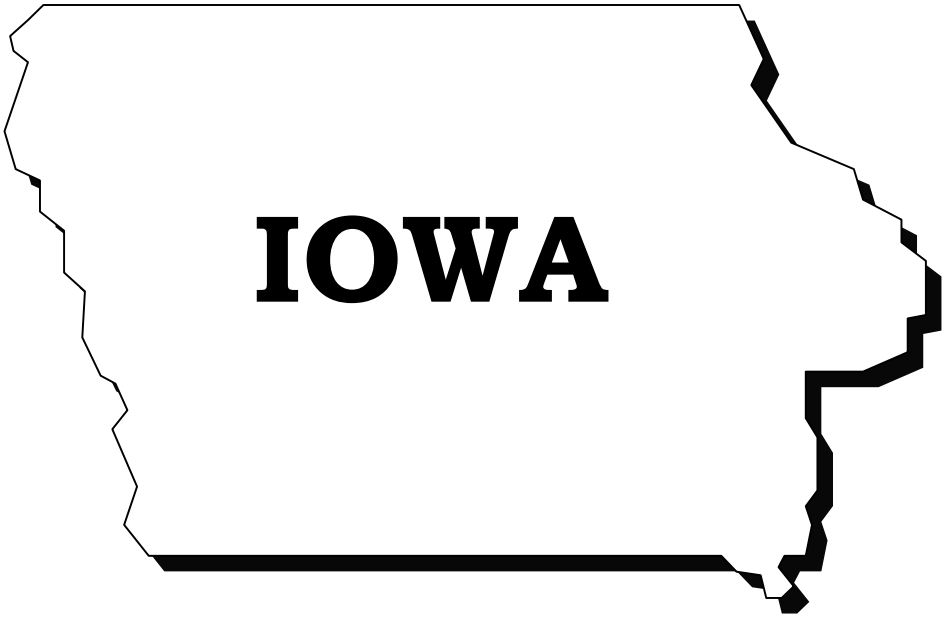
	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	$ 1,476	$ 17,819	$ -	$ 3,746	$ 830	$ 23,871
Accounts receivable (net)	-	358	-	280	1	639
Investments	3,493,866	-	669	10,400	-	3,504,935
Capital assets - depreciable (net)	9	-	-	-	52	61
Prepaid expenses	16	-	-	-	-	16
Inventory	-	-	-	-	10	10
TOTAL ASSETS	**3,495,367**	**18,177**	**669**	**14,426**	**893**	**3,529,532**
LIABILITIES						
Accounts payable & accruals	27	47	-	-	95	169
NET POSITION						
Held in trust for other purposes	$ 3,495,340	$ 18,130	$ 669	$ 14,426	$ 798	$ 3,529,363

STATE OF IOWA

Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ADDITIONS						
Contributions:						
Participant contributions	$ 353,171	$ -	$ -	$ -	$ 51	$ 353,222
Other contributions	731	-	-	2,800	-	3,531
Gifts, bequests & endowments	-	2,516	-	-	152	2,668
Total contributions	353,902	2,516	-	2,800	203	359,421
Investment income (loss):						
Net increase (decrease) in fair value of investments	346,757	(35)	54	(77)	-	346,699
Interest	-	30	10	95	2	137
Total investment income (loss)	346,757	(5)	64	18	2	346,836
TOTAL ADDITIONS	**700,659**	**2,511**	**64**	**2,818**	**205**	**706,257**
DEDUCTIONS						
Distributions to participants	225,994	-	-	-	-	225,994
Other	659	842	35	3	184	1,723
TOTAL DEDUCTIONS	**226,653**	**842**	**35**	**3**	**184**	**227,717**
CHANGE IN NET POSITION	**474,006**	**1,669**	**29**	**2,815**	**21**	**478,540**
NET POSITION - JULY 1	**3,021,334**	**16,461**	**640**	**11,611**	**777**	**3,050,823**
NET POSITION - JUNE 30	**$ 3,495,340**	**$ 18,130**	**$ 669**	**$ 14,426**	**$ 798**	**$ 3,529,363**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COMBINING FINANCIAL STATEMENTS

Agency Funds

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or organizations.

Local Sales & Services Tax Fund is used to account for local option sales taxes collected by retailers and deposited with the State. The taxes are then distributed back to the counties which have jurisdictions imposing local option sales tax.

Centralized Payroll Trustee Fund is used to account for accumulation of all voluntary and discretionary payroll deductions from the centralized payroll process.

Judicial - Clerks of District Court act as a collecting agency for many fees and taxes that are then distributed to the proper local government or recipient.

School District Surtax Clearing Fund collects and distributes surtax to the school districts according to the surtax formula set by the districts.

Other Agency Funds are aggregated for reporting purposes and represent amounts held for inmates and residents of State institutions, miscellaneous clearing accounts and other deposits.

STATE OF IOWA

Combining Statement of Fiduciary Net Position
Agency Funds

June 30, 2013
(Expressed in Thousands)

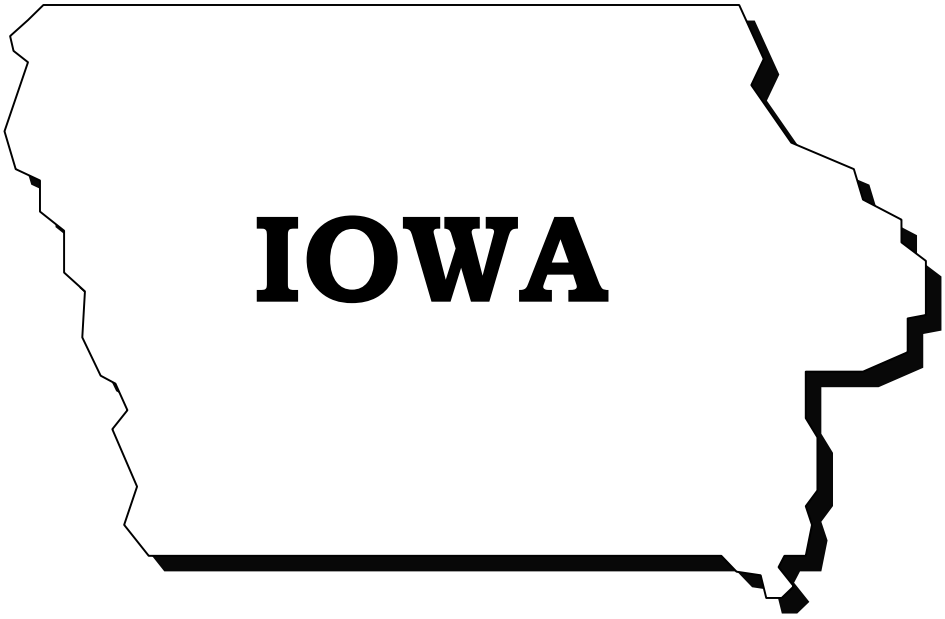
	LOCAL SALES & SERVICES TAX FUND	CENTRALIZED PAYROLL TRUSTEE FUND	JUDICIAL - CLERKS OF DISTRICT COURT	SCHOOL DISTRICT SURTAX CLEARING FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	$ 22,913	$ 21,872	$ 24,784	$ 102,683	$ 60,972	$ 233,224
Accounts receivable (net)	128,694	1,325	-	7,047	59,840	196,906
TOTAL ASSETS	**$ 151,607**	**$ 23,197**	**$ 24,784**	**$ 109,730**	**$ 120,812**	**$ 430,130**
LIABILITIES						
Accounts payable & accruals	$ 151,607	$ 23,197	$ 24,784	$ 109,730	$ 120,812	$ 430,130
TOTAL LIABILITIES	**$ 151,607**	**$ 23,197**	**$ 24,784**	**$ 109,730**	**$ 120,812**	**$ 430,130**

STATE OF IOWA

Combining Statement of Changes in Assets and Liabilities
Agency Funds

For the Year Ended June 30, 2013
(Expressed in Thousands)

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
LOCAL SALES & SERVICES TAX FUND				
ASSETS				
Cash	$ 21,790	$ 744,856	$ 743,733	$ 22,913
Accounts receivable	122,215	128,693	122,214	128,694
TOTAL ASSETS	$ 144,005	$ 873,549	$ 865,947	$ 151,607
LIABILITIES				
Accounts payable & accruals	$ 144,005	$ 873,549	$ 865,947	$ 151,607
CENTRALIZED PAYROLL TRUSTEE FUND				
ASSETS				
Cash	$ 21,202	$ 848,556	$ 847,886	$ 21,872
Accounts receivable	1,424	1,325	1,424	1,325
TOTAL ASSETS	$ 22,626	$ 849,881	$ 849,310	$ 23,197
LIABILITIES				
Accounts payable & accruals	$ 22,626	$ 849,881	$ 849,310	$ 23,197
JUDICIAL - CLERKS OF DISTRICT COURT				
ASSETS				
Cash	$ 25,347	$ 280,346	$ 280,909	$ 24,784
LIABILITIES				
Accounts payable & accruals	$ 25,347	$ 280,346	$ 280,909	$ 24,784
SCHOOL DISTRICT SURTAX CLEARING FUND				
ASSETS				
Cash	$ 94,253	$ 111,801	$ 103,371	$ 102,683
Accounts receivable	5,155	7,047	5,155	7,047
TOTAL ASSETS	$ 99,408	$ 118,848	$ 108,526	$ 109,730
LIABILITIES				
Accounts payable & accruals	$ 99,408	$ 118,848	$ 108,526	$ 109,730
OTHER FUNDS				
ASSETS				
Cash	$ 55,636	$ 1,301,766	$ 1,296,430	$ 60,972
Accounts receivable	64,363	59,850	64,373	59,840
TOTAL ASSETS	$ 119,999	$ 1,361,616	$ 1,360,803	$ 120,812
LIABILITIES				
Accounts payable & accruals	$ 119,999	$ 1,361,616	$ 1,360,803	$ 120,812
TOTAL				
ASSETS				
Cash	$ 218,228	$ 3,287,325	$ 3,272,329	$ 233,224
Accounts receivable	193,157	196,915	193,166	196,906
TOTAL ASSETS	$ 411,385	$ 3,484,240	$ 3,465,495	$ 430,130
LIABILITIES				
Accounts payable & accruals	$ 411,385	$ 3,484,240	$ 3,465,495	$ 430,130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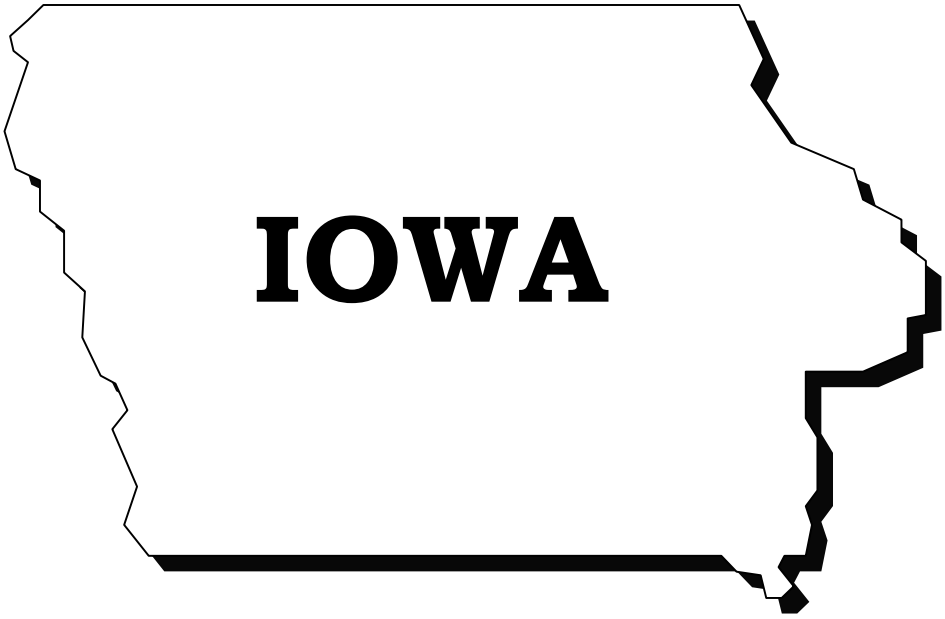
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STATE OF IOWA

STATISTICAL SECTION
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This part of the State of Iowa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

	Schedule
Financial Trends These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	**1 - 4**
Revenue Capacity These schedules contain information to help the reader assess the State's most significant revenue source, individual income tax.	**5 - 7**
Debt Capacity These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	**8 - 9**
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	**10 - 11**
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs. A schedule of current expenditures is also included.	**12 - 15**

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

STATE OF IOWA

Net Position by Component **Schedule 1**

For the Last Ten Fiscal Years

(Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008 [1]	2009 [2]	2010 [3]	2011 [4]	2012 [5]	2013
Governmental activities										
Net investment in capital assets	$ 5,465,035	$ 5,681,408	$ 5,878,568	$ 6,071,498	$ 6,193,796	$ 6,489,500	$ 6,880,376	$ 7,042,318	$ 7,297,964	$ 7,579,657
Restricted	1,382,417	1,209,109	1,190,851	954,614	1,096,738	981,399	1,190,535	1,217,229	1,066,451	1,085,008
Unrestricted	(52,741)	133,884	282,317	612,506	490,372	145,222	(86,726)	(226,038)	90,401	535,206
Total governmental activities net position	$ 6,794,711	$ 7,024,401	$ 7,351,736	$ 7,638,618	$ 7,780,906	$ 7,616,121	$ 7,984,185	$ 8,033,509	$ 8,454,816	$ 9,199,871
Business-type activities										
Net investment in capital assets	$ 1,621,420	$ 1,783,485	$ 1,874,011	$ 1,962,371	$ 1,997,070	$ 2,234,564	$ 2,268,065	$ 2,364,752	$ 2,534,247	$ 2,700,020
Restricted	1,181,164	1,221,333	1,353,063	1,377,602	1,490,766	1,286,727	991,124	1,127,606	1,368,589	1,516,329
Unrestricted	748,682	761,180	785,313	965,010	1,073,688	968,103	1,347,744	1,593,616	1,687,242	1,770,113
Total business-type activities net position	$ 3,551,266	$ 3,765,998	$ 4,012,387	$ 4,304,983	$ 4,561,524	$ 4,489,394	$ 4,606,933	$ 5,085,974	$ 5,590,078	$ 5,986,462
Primary government										
Net investment in capital assets	$ 7,086,455	$ 7,464,893	$ 7,752,579	$ 8,033,869	$ 8,190,866	$ 8,724,064	$ 9,148,441	$ 9,407,070	$ 9,832,211	$ 10,279,677
Restricted	2,563,581	2,430,442	2,543,914	2,332,216	2,587,504	2,268,126	2,181,659	2,344,835	2,435,040	2,601,337
Unrestricted	695,941	895,064	1,067,630	1,577,516	1,564,060	1,113,325	1,261,018	1,367,578	1,777,643	2,305,319
Total primary government net position	$ 10,345,977	$ 10,790,399	$ 11,364,123	$ 11,943,601	$ 12,342,430	$ 12,105,515	$ 12,591,118	$ 13,119,483	$ 14,044,894	$ 15,186,333

GASB Statement No. 63 was implemented in fiscal year 2013, renaming net assets to net position and invested in capital assets, net of related debt to net investment in capital assets.

(1) - Fiscal Year 2008 amounts reported include prior period adjustments made in 2009 to reflect the effect of reclassifications and misstatements of the Department of Natural Resources' capital assets totaling $9.9 million.

(2) - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect of implementation of GASB No. 51 for intangible assets and reclassifications of investments at the Iowa Braille and Sight Saving School from a governmental activity to a fiduciary fund.

(3) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54 and the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

(4) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during Fiscal Year 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

(5)-Fiscal Year 2012 amounts reported include prior period adjustments made in 2013 to reflect the effect of implementation of GASB No. 61 and the inclusion of new component units at the University of Iowa.

STATE OF IOWA

Changes in Net Position **Schedule 2**

For the Last Ten Fiscal Years

(Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2004	2005 [1]	2006	2007	2008 [2]	2009 [3]	2010 [4]	2011 [5]	2012 [6]	2013
Expenses										
Governmental activities:										
Administration & regulation	$ 972,615	$ 903,378	$ 924,171	$ 881,865	$ 900,181	$ 1,259,465	$ 1,289,713	$ 1,383,161	$ 1,411,797	$ 1,376,913
Education	2,650,631	2,796,158	2,948,579	3,071,601	3,352,331	3,502,472	3,447,890	3,601,899	3,551,294	3,582,418
State aid to universities	635,488	-	-	-	-	-	-	-	-	-
Heath & human rights	317,842	337,542	367,579	368,342	405,459	450,955	488,380	458,702	423,202	420,844
Human services	3,429,548	3,633,297	3,927,888	3,882,041	4,283,160	4,651,972	4,953,873	5,182,496	5,466,172	5,509,926
Justice & public defense	663,134	693,606	756,968	822,676	945,438	1,209,839	1,178,089	1,098,041	1,082,774	1,095,300
Economic development	202,133	208,720	223,153	227,266	234,579	329,936	351,635	273,377	254,902	186,948
Transportation	906,054	918,557	930,333	954,278	959,598	1,084,299	1,239,669	1,139,321	1,206,924	1,149,919
Agriculture & natural resources	155,220	167,101	180,539	193,327	220,995	210,984	212,590	217,783	214,526	219,568
Interest expense	19,123	52,241	77,392	74,053	73,065	62,387	91,432	101,867	101,849	99,311
Total governmental activities expenses	9,951,788	9,710,600	10,336,602	10,475,449	11,374,806	12,762,309	13,253,271	13,456,647	13,713,440	13,641,147
Business-type activities:										
University Funds	2,643,969	2,656,318	2,850,291	2,942,220	3,155,027	3,401,126	3,341,877	3,465,390	3,842,314	3,958,296
Unemployment Benefits Fund	389,858	299,086	304,143	342,499	356,261	872,030	1,258,041	928,379	718,611	554,883
Other	310,538	326,060	432,037	363,508	391,077	396,668	213,185	222,239	246,673	257,011
Total business-type activities expenses	3,344,365	3,281,464	3,586,471	3,648,227	3,902,365	4,669,824	4,813,103	4,616,008	4,807,598	4,770,190
Total primary government expenses	$ 13,296,153	$ 12,992,064	$ 13,923,073	$ 14,123,676	$ 15,277,171	$ 17,432,133	$ 18,066,374	$ 18,072,655	$ 18,521,038	$ 18,411,337
Program revenues										
Governmental activities:										
Charges for services:										
Administration & regulation	$ 749,752	$ 698,923	$ 804,217	$ 765,932	$ 808,206	$ 1,069,214	$ 957,591	$ 1,063,106	$ 1,060,902	$ 1,099,289
Education	26,038	26,118	23,117	39,402	47,201	45,794	54,219	61,920	52,686	21,787
Health & human rights	32,242	38,885	45,324	55,086	83,700	71,849	60,885	70,702	66,922	68,865
Human services	410,310	387,762	418,391	448,255	417,733	437,131	465,890	575,377	666,496	438,915
Justice & public defense	23,811	72,045	83,256	60,529	177,293	83,868	102,600	110,215	104,969	89,888
Economic development	1,121	3	2,715	2,519	7,125	5,012	3,423	13,795	3,672	3,864
Transportation	19,279	19,833	13,922	30,106	17,695	84,511	84,291	76,404	93,908	106,081
Agriculture & natural resources	60,744	65,227	60,128	78,306	72,564	78,697	86,086	74,295	84,912	78,476
Operating grants & contributions	3,314,471	3,391,654	3,699,313	3,247,773	3,471,494	4,345,320	5,309,310	4,921,994	4,489,138	4,619,136
Capital grants & contributions	4,287	5,316	4,245	283,759	230,585	385,478	590,926	420,006	494,715	426,350
Total governmental activities program revenues	4,642,055	4,705,766	5,154,628	5,011,667	5,333,596	6,606,874	7,715,221	7,387,814	7,118,320	6,952,651
Business-type activities:										
Charges for services:										
University Funds	1,583,183	1,642,343	1,786,355	1,690,465	1,800,897	1,993,932	2,064,853	2,223,527	2,590,308	2,687,569
Unemployment Benefits Fund	304,396	318,607	348,246	352,067	368,202	358,198	474,465	619,455	643,970	543,535
Other	404,595	425,261	567,966	478,850	506,995	521,913	284,931	297,750	325,699	342,596
Operating grants & contributions	427,616	448,517	458,271	633,957	670,859	987,715	1,333,041	1,200,118	1,044,159	864,818
Capital grants & contributions	58,026	28,912	18,039	30,943	35,225	45,432	8,801	36,197	61,339	61,948
Total business-type activities program revenues	2,777,816	2,863,640	3,178,877	3,186,282	3,382,178	3,907,190	4,166,091	4,377,047	4,665,475	4,500,466
Total primary government program revenues	$ 7,419,871	$ 7,569,406	$ 8,333,505	$ 8,197,949	$ 8,715,774	$ 10,514,064	$ 11,881,312	$ 11,764,861	$ 11,783,795	$ 11,453,117
Net expense										
Governmental activities	$ (5,309,733)	$ (5,004,834)	$ (5,181,974)	$ (5,463,782)	$ (6,041,210)	$ (6,155,435)	$ (5,538,050)	$ (6,068,833)	$ (6,595,120)	$ (6,688,496)
Business-type activities	(566,549)	(417,824)	(407,594)	(461,945)	(520,187)	(762,634)	(647,012)	(238,961)	(142,123)	(269,724)
Total primary government net expense	$ (5,876,282)	$ (5,422,658)	$ (5,589,568)	$ (5,925,727)	$ (6,561,397)	$ (6,918,069)	$ (6,185,062)	$ (6,307,794)	$ (6,737,243)	$ (6,958,220)

(continued on next page)

STATE OF IOWA
Changes in Net Position **Schedule 2**
For the Last Ten Fiscal Years
(Accrual Basis of Accounting Expressed in Thousands)
(continued)

	Fiscal Year									
	2004	2005 [1]	2006	2007	2008 [2]	2009 [3]	2010 [4]	2011 [5]	2012 [6]	2013
General revenues and other changes in net position										
Governmental activities:										
Personal income tax	$ 2,090,712	$ 2,263,561	$ 2,430,981	$ 2,673,861	$ 2,866,774	$ 2,716,655	$ 2,637,753	$ 2,856,474	$ 3,040,391	$ 3,446,857
Corporate income tax	97,769	176,997	283,112	322,315	347,833	258,115	196,723	254,761	430,395	428,991
Sales & use tax	1,688,943	1,761,195	1,866,864	1,878,500	1,966,871	2,094,893	2,232,711	2,336,298	2,454,156	2,509,817
Other tax	598,165	596,707	592,888	641,206	783,814	743,231	710,946	685,454	756,713	759,681
Motor fuel tax restricted for transportation purposes	435,358	482,194	440,652	446,607	443,997	436,732	436,567	445,580	438,953	438,009
Road use tax restricted for transportation purposes	252,269	252,599	247,125	248,959	257,523	256,554	254,016	281,998	303,368	307,821
Unrestricted investment earnings	62,086	72,166	98,269	146,669	114,987	66,159	25,729	30,696	21,155	6,240
Other	166,328	129,486	29,810	25,807	32,492	30,476	31,571	28,317	27,504	29,746
Gain/(loss) on sale of assets	671	972	-	-	571	804	842	51	732	871
Contribution to Permanent Fund principal	12	62	262	55	4,031	-	-	-	-	-
Special items - disposal of operations	-	-	-	-	-	-	-	-	-	5,728
Special item - gaming tax liability settlement	102,366	-	-	-	-	-	-	-	-	-
Extraordinary items - impairment of assets and other	-	-	-	-	-	-	-	(4,394)	-	-
Transfers	122,096	(501,415)	(480,654)	(549,206)	(598,789)	(612,520)	(612,563)	(503,494)	(456,940)	(500,210)
Total governmental activities	$ 5,616,775	$ 5,234,524	$ 5,509,309	$ 5,834,773	$ 6,220,104	$ 5,991,099	$ 5,914,295	$ 6,411,741	$ 7,016,427	$ 7,433,551
Business-type activities:										
Other tax	$ -	$ -	$ 7,300	$ 5,909	$ 6,551	$ 5,688	$ 6,459	$ 6,803	$ 7,031	$ 7,463
Unrestricted investment earnings	88,881	88,036	93,651	159,246	69,378	(25,411)	115,200	154,176	90,891	109,987
Other	58,061	43,102	68,209	40,162	46,919	94,068	50,678	47,610	76,091	50,950
Gain/(loss) on sale of assets	7	3	4,169	18	7	75	101	16	688	78
State aid to universities	635,488	-	-	-	-	-	-	-	-	-
Contribution to University Endowments	-	-	-	-	-	404	(250)	-	-	-
Extraordinary items - impairment of assets and other	-	-	-	-	55,084	3,160	(15,785)	5,900	991	(2,580)
Transfers	(122,096)	501,415	480,654	549,206	598,789	612,520	612,563	503,494	456,940	500,210
Total business-type activities	$ 660,341	$ 632,556	$ 653,983	$ 754,541	$ 776,728	$ 690,504	$ 768,966	$ 717,999	$ 632,632	$ 666,108
Change in net position										
Governmental activities	$ 307,042	$ 229,690	$ 327,335	$ 370,991	$ 178,894	$ (164,336)	$ 376,245	$ 342,908	$ 421,307	$ 745,055
Business-type activities	93,792	214,732	246,389	292,596	256,541	(72,130)	121,954	479,038	490,509	396,384
Total primary government	$ 400,834	$ 444,422	$ 573,724	$ 663,587	$ 435,435	$ (236,466)	$ 498,199	$ 821,946	$ 911,816	$ 1,141,439

GASB Statement No. 63 was implemented in fiscal year 2013, renaming net assets to net position.

(1) - Beginning in Fiscal Year 2005, state aid to universities is classified as transfers.

(2) - Fiscal Year 2008 amounts reported include prior period adjustments made in 2009 to reflect the effect of reclassifications and misstatements of the Department of Natural Resources' capital assets totaling $9.9 million.

(3) - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect of the implementation of GASB No. 51 for intangible assets and reclassifications of investments at the Iowa Braille and Sight Saving School from a governmental activity to a fiduciary fund.

(4) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54 and the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

(5) - Due to changes in legislation, 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

(6) Fiscal Year 2012 amounts reported include prior period adjustments made in 2013 to reflect the effect of implementation of GASB No. 61 and the inclusion of new component units at the Univesity of Iowa.

STATE OF IOWA
Fund Balances of Governmental Funds **Schedule 3**

For the Last Ten Fiscal Years
(Modified Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2004	**2005**	**2006**	**2007**	**2008**	**2009** [2]	**2010** [3]	**2011** [4]	**2012**	**2013**
General Fund										
Reserved	$ 1,431,087	$ 1,364,588	$ 1,202,023	$ 1,000,811	$ 1,178,178	$ 1,121,132	$ -	$ -	$ -	$ -
Unreserved	445,627	559,864	897,708	1,052,537	1,118,497	802,767	-	-	-	-
Nonspendable	-	-	-	-	-	-	31,950	31,364	41,382	43,138
Spendable:										
Restricted	-	-	-	-	-	-	1,219,215	1,236,111	1,062,771	1,017,927
Committed	-	-	-	-	-	-	1,385,901	1,486,404	1,732,552	2,145,980
Unassigned	-	-	-	-	-	-	(201,720)	(250,589)	(210,684)	(156,800)
Total General Fund	$ 1,876,714	$ 1,924,452	$ 2,099,731	$ 2,053,348	$ 2,296,675	$ 1,923,899	$ 2,435,346	$ 2,503,290	$ 2,626,021	$ 3,050,245
All other governmental funds										
Reserved	$ 377,317	$ 305,386	$ 419,404	$ 305,336	$ 927,732 [1]	$ 820,497 [1]	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	97,916	83,978	62,224	48,907	(633,676) [1]	(584,829) [1]	-	-	-	-
Capital projects funds	2,890	4,010	2,056	98,015	82,668	52,417	-	-	-	-
Nonspendable	-	-	-	-	-	-	14,857	15,692	16,192	16,376
Spendable:										
Restricted	-	-	-	-	-	-	779,220 [1]	789,149 [1]	667,541 [1]	570,702 [1]
Committed	-	-	-	-	-	-	25,347	27,348	26,453	28,346
Unassigned	-	-	-	-	-	-	(572,626) [1]	(513,010) [1]	(461,801) [1]	(410,619) [1]
Total all other governmental funds	$ 478,123	$ 393,374	$ 483,684	$ 452,258	$ 376,724	$ 288,085	$ 246,798	$ 319,179	$ 248,385	$ 204,805

(1) - Due to the implementation of GASB No. 48, interfund advances were recorded in the Tobacco Settlement Authority and Tobacco Collections funds.

(2) - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect of reclassifications of investments at the Iowa Braille and Sight Saving School from a governmental activity to a fiduciary fund.

(3) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54.

(4) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during Fiscal Year 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

STATE OF IOWA

Changes in Fund Balances of Governmental Funds **Schedule 4**

For the Last Ten Fiscal Years

(Modified Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2004 [1]	2005	2006	2007	2008	2009	2010 [2]	2011 [3]	2012	2013
Revenues										
Taxes	$ 5,939,586	$ 6,285,430	$ 6,491,259	$ 6,867,216	$ 7,386,422	$ 7,333,205	$ 7,089,985	$ 7,484,244	$ 7,985,697	$ 8,456,345
Receipts from other entities	3,591,798	3,585,177	3,973,158	3,522,809	4,193,259	5,126,503	6,131,238	5,855,250	5,626,029	5,400,502
Investment income	62,235	71,879	97,418	145,561	118,360	66,294	26,431	29,931	21,766	6,244
Fees, licenses & permits	615,684	639,681	651,726	680,615	690,211	978,396	1,077,664	1,195,283	1,226,093	1,268,880
Refunds & reimbursements	435,380	349,684	466,900	411,734	431,503	474,081	465,278	539,796	537,219	527,456
Sales, rents & services	30,954	28,735	27,714	28,589	29,143	29,925	34,620	31,400	33,225	32,639
Miscellaneous	193,171	206,371	119,906	120,677	117,568	93,961	118,521	147,736	141,461	150,035
Contributions	12	62	265	156	48	1,008	-	-	-	-
Gross revenues	10,868,820	11,167,019	11,828,346	11,777,357	12,966,514	14,103,373	14,943,737	15,283,640	15,571,490	15,842,101
Less revenue refunds	793,070	776,354	675,709	686,423	762,926	883,633	954,852	918,313	918,524	909,631
Net revenues	10,075,750	10,390,665	11,152,637	11,090,934	12,203,588	13,219,740	13,988,885	14,365,327	14,652,966	14,932,470
Expenditures										
Administration & regulation	974,624	875,086	909,321	863,429	889,445	1,244,250	1,272,714	1,370,396	1,403,974	1,364,608
Education	2,650,005	2,790,597	2,940,726	3,068,629	3,341,479	3,492,860	3,434,673	3,593,313	3,544,428	3,575,186
Health & human rights	311,742	332,790	360,180	357,830	389,209	443,841	472,053	451,393	417,306	414,981
Human services	3,417,491	3,622,977	3,919,831	3,864,673	4,240,263	4,626,097	4,897,794	5,172,053	5,461,157	5,540,912
Justice & public defense	629,246	653,683	700,362	771,562	870,244	1,144,444	1,107,809	1,065,068	1,027,435	1,035,912
Economic development	196,917	204,048	217,701	221,567	220,313	335,429	343,857	270,192	255,299	184,877
Transportation	348,494	381,706	382,576	458,950	416,388	471,563	550,192	542,490	548,629	552,228
Agriculture & natural resources	140,581	150,108	161,172	172,948	181,518	199,639	189,349	198,876	201,838	200,439
Capital outlay	749,346	828,998	878,185	800,188	769,202	1,029,341	1,161,197	962,834	1,136,378	1,012,032
Debt service:										
Principal	-	25,181	23,435	28,025	69,575	36,335	29,090	40,495	72,555	49,815
Interest & fiscal charges	-	52,899	54,867	53,194	58,621	59,146	86,108	100,122	101,327	98,242
Total expenditures	9,418,446	9,918,073	10,548,356	10,660,995	11,446,257	13,082,945	13,544,836	13,767,232	14,170,326	14,029,232
Excess of revenues over expenditures	657,304	472,592	604,281	429,939	757,331	136,795	444,049	598,095	482,640	903,238
Other financing sources (uses)										
Transfers in	289,009	264,968	453,815	323,251	533,885	538,129	395,422	197,540	197,567	215,291
Transfers out	(801,306)	(768,683)	(936,073)	(869,369)	(1,124,271)	(1,136,203)	(1,004,206)	(696,832)	(651,385)	(713,290)
Leases, installment purchases & other	1,009	1,115	530	4,730	848	313	2,340	93	562	9
Debt issued	-	-	-	33,370	-	-	613,710	311,945	-	-
Premium (discount) on bonds	-	-	(555,554)	270	-	-	27,027	26,043	1,643	-
Refunding debt issued	-	20,799	1,365,435	-	-	-	-	-	20,910	-
Payments to refund debt	-	(20,550)	-	-	-	-	-	-	-	-
Payment to refunding escrow agent	-	-	(666,845)	-	-	-	-	-	-	-
Total other financing sources (uses)	(511,288)	(502,351)	(338,692)	(507,748)	(589,538)	(597,761)	34,293	(161,211)	(430,703)	(497,990)
Special items - disposal of operations	-	-	-	-	-	-	-	-	-	(24,604)
Net change in fund balances	$ 146,016	$ (29,759)	$ 265,589	$ (77,809)	$ 167,793	$ (460,966)	$ 478,342	$ 436,884	$ 51,937	$ 380,644
Debt service as a percentage of noncapital expenditures	N/A	<1%	<1%	<1%	1.2%	<1%	0.9%	1.1%	1.3%	1.1%

(1) - For fiscal year 2004 capital outlays were presented by function and expenditures by function included debt service payments.

(2) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54 and the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

(3) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during Fiscal Year 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

STATE OF IOWA

Tax Revenue by Source - Governmental Funds **Schedule 5**

For the Last Ten Fiscal Years

(Modified Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011 [1]**	**2012**	**2013**
Individual income tax	$ 2,609,843	$ 2,799,745	$ 2,876,413	$ 3,109,609	$ 3,366,344	$ 3,320,295	$ 3,236,054	$ 3,476,658	$ 3,677,240	$ 4,080,794
Sales tax	1,475,261	1,498,893	1,600,799	1,590,238	1,639,885	2,002,262	1,910,962	1,983,187	2,066,024	2,097,466
Use tax	539,071	578,255	557,841	587,009	630,184	374,686	371,195	404,151	439,772	464,126
Fuel tax	476,985	528,208	490,470	500,531	497,613	487,265	482,417	496,486	490,377	481,120
Corporate tax	239,569	281,101	370,333	436,060	464,907	408,578	373,416	401,628	550,343	563,016
Inheritance tax	82,431	77,003	71,640	77,750	79,783	72,562	68,358	65,535	79,670	86,785
Insurance premium tax	139,275	131,183	121,428	105,223	111,647	90,035	88,571	97,098	101,406	104,885
Cigarette & tobacco tax	95,085	96,077	98,936	135,207	251,584	238,153	232,573	226,692	225,499	226,300
Wagering tax	219,461	238,065	249,183	272,210	287,247	282,545	272,361	269,842	287,680	283,168
Franchise tax	36,292	36,593	35,007	33,601	36,813	33,271	31,564	39,423	41,121	43,860
Beer tax	14,104	14,070	14,277	14,264	14,454	14,717	14,503	14,272	14,726	13,865
Other	12,209	6,237	4,932	5,514	5,961	8,835	8,011	9,272	11,839	10,960
Gross taxes	5,939,586	6,285,430	6,491,259	6,867,216	7,386,422	7,333,204	7,089,985	7,484,244	7,985,697	8,456,345
Less refunds	712,737	689,874	576,733	588,552	663,997	786,757	858,281	822,634	820,178	871,332
Net taxes	$ 5,226,849	$ 5,595,556	$ 5,914,526	$ 6,278,664	$ 6,722,425	$ 6,546,447	$ 6,231,704	$ 6,661,610	$ 7,165,519	$ 7,585,013

Source: State Accounting System and adjusting journal entries from GAAP packages.

(1) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit.

STATE OF IOWA

Individual Income Tax Returns Filed and Tax Rates **Schedule 6**

For the Last Ten Calendar Years

Tax Year 2003	
Net Taxable Income	**Number of Returns**
No AGI	38,805
$1 - 9,999	385,654
$10,000 - 19,999	364,171
$20,000 - 29,999	347,099
$30,000 - 39,999	259,677
$40,000 - 49,999	155,553
$50,000 - 74,999	149,518
$75,000 - 99,999	45,499
$100,000 & above	60,932
	1,806,908

Net Taxable Income	Tax Rate*
$0 - $1,224	0.36%
$1,224 - 2,448	0.72%
$2,448 - 4,896	2.43%
$4,896 - 11,016	4.50%
$11,016 - 18,360	6.12%
$18,360 - 24,480	6.48%
$24,480 - 36,720	6.80%
$36,720 - 55,080	7.92%
$55,080 & above	8.98%

Tax Year 2004	
Net Taxable Income	**Number of Returns**
No AGI	40,314
$1 - 9,999	381,662
$10,000 - 19,999	354,752
$20,000 - 29,999	340,049
$30,000 - 39,999	265,364
$40,000 - 49,999	166,811
$50,000 - 74,999	166,307
$75,000 - 99,999	51,862
$100,000 & above	68,620
	1,835,741

Net Taxable Income	Tax Rate*
$0 - $1,242	0.36%
$1,242 - 2,484	0.72%
$2,484 - 4,968	2.43%
$4,968 - 11,178	4.50%
$11,178 - 18,630	6.12%
$18,630 - 24,840	6.48%
$24,840 - 37,260	6.80%
$37,260 - 55,890	7.92%
$55,890 & above	8.98%

Tax Year 2005	
Net Taxable Income	**Number of Returns**
No AGI	39,556
$1 - 9,999	372,761
$10,000 - 19,999	350,536
$20,000 - 29,999	338,342
$30,000 - 39,999	270,292
$40,000 - 49,999	176,395
$50,000 - 74,999	179,890
$75,000 - 99,999	57,841
$100,000 & above	79,060
	1,864,673

Net Taxable Income	Tax Rate*
$0 - $1,269	0.36%
$1,269 - 2,538	0.72%
$2,538 - 5,076	2.43%
$5,076 - 11,421	4.50%
$11,421 - 19,035	6.12%
$19,035 - 25,380	6.48%
$25,380 - 38,070	6.80%
$38,070 - 57,105	7.92%
$57,105 & above	8.98%

Tax Year 2006	
Net Taxable Income	**Number of Returns**
No AGI	39,558
$1 - 9,999	362,337
$10,000 - 19,999	343,506
$20,000 - 29,999	337,101
$30,000 - 39,999	277,113
$40,000 - 49,999	185,575
$50,000 - 74,999	199,518
$75,000 - 99,999	66,119
$100,000 & above	90,788
	1,901,615

Net Taxable Income	Tax Rate*
$0 - $1,300	0.36%
$1,300 - 2,600	0.72%
$2,600 - 5,200	2.43%
$5,200 - 11,700	4.50%
$11,700 - 19,500	6.12%
$19,500 - 26,000	6.48%
$26,000 - 39,000	6.80%
$39,000 - 58,500	7.92%
$58,500 & above	8.98%

Tax Year 2007	
Net Taxable Income	**Number of Returns**
No AGI	42,488
$1 - 9,999	368,519
$10,000 - 19,999	344,833
$20,000 - 29,999	337,340
$30,000 - 39,999	282,702
$40,000 - 49,999	196,874
$50,000 - 74,999	221,027
$75,000 - 99,999	74,841
$100,000 & above	103,651
	1,972,275

Net Taxable Income	Tax Rate*
$0 - $1,343	0.36%
$1,343 - 2,686	0.72%
$2,686 - 5,372	2.43%
$5,372 - 12,087	4.50%
$12,087 - 20,145	6.12%
$20,145 - 26,860	6.48%
$26,860 - 40,290	6.80%
$40,290 - 60,435	7.92%
$60,435 & above	8.98%

Tax Year 2008	
Net Taxable Income	**Number of Returns**
No AGI	45,574
$1 - 9,999	356,260
$10,000 - 19,999	335,220
$20,000 - 29,999	329,579
$30,000 - 39,999	281,286
$40,000 - 49,999	199,752
$50,000 - 74,999	234,607
$75,000 - 99,999	79,374
$100,000 & above	105,736
	1,967,388

Net Taxable Income	Tax Rate*
$0 - $1,379	0.36%
$1,379 - 2,758	0.72%
$2,758 - 5,516	2.43%
$5,516 - 12,411	4.50%
$12,411 - 20,685	6.12%
$20,685 - 27,580	6.48%
$27,580 - 41,370	6.80%
$41,370 - 62,055	7.92%
$62,055 & above	8.98%

Tax Year 2009	
Net Taxable Income	**Number of Returns**
No AGI	51,620
$1 - 9,999	336,423
$10,000 - 19,999	332,440
$20,000 - 29,999	330,853
$30,000 - 39,999	273,662
$40,000 - 49,999	194,025
$50,000 - 74,999	233,380
$75,000 - 99,999	77,882
$100,000 & above	99,179
	1,929,464

Net Taxable Income	Tax Rate*
$0 - $1,407	0.36%
$1,407 - 2,814	0.72%
$2,814 - 5,628	2.43%
$5,628 - 12,663	4.50%
$12,663 - 21,105	6.12%
$21,105 - 28,140	6.48%
$28,140 - 42,210	6.80%
$42,210 - 63,315	7.92%
$63,315 & above	8.98%

Tax Year 2010	
Net Taxable Income	**Number of Returns**
No AGI	49,110
$1 - 9,999	333,307
$10,000 - 19,999	338,049
$20,000 - 29,999	323,039
$30,000 - 39,999	274,706
$40,000 - 49,999	198,580
$50,000 - 74,999	242,170
$75,000 - 99,999	82,412
$100,000 & above	107,941
	1,949,314

Net Taxable Income	Tax Rate*
$0 - $1,428	0.36%
$1,428 - 2,856	0.72%
$2,856 - 5,712	2.43%
$5,712 - 12,852	4.50%
$12,852 - 21,420	6.12%
$21,420 - 28,560	6.48%
$28,560 - 42,840	6.80%
$42,840 - 64,260	7.92%
$64,260 & above	8.98%

Tax Year 2011	
Net Taxable Income	**Number of Returns**
No AGI	52,101
$1 - 9,999	337,187
$10,000 - 19,999	332,596
$20,000 - 29,999	314,841
$30,000 - 39,999	272,314
$40,000 - 49,999	202,716
$50,000 - 74,999	253,213
$75,000 - 99,999	89,113
$100,000 & above	121,578
	1,975,659

Net Taxable Income	Tax Rate*
$0-1,439	0.36%
$1,439-2,878	0.72%
$2,878-5,756	2.43%
$5,756-12,951	4.50%
$12,951-21,585	6.12%
$21,585-28,780	6.48%
$28,780-43,170	6.80%
$43,170-64,755	7.92%
$64,755 & above	8.98%

Tax Year 2012	
Net Taxable Income	**Number of Returns**
Information not available.	

Net Taxable Income	Tax Rate*
$0-1,469	0.36%
$1,469-2,938	0.72%
$2,938-5,876	2.43%
$5,876-13,221	4.50%
$13,221-22,035	6.12%
$22,035-29,380	6.48%
$29,380-44,070	6.80%
$44,070-66,105	7.92%
$66,105 & above	8.98%

***** Iowa is one of three states that allow all taxpayers full deductibility of net federal tax payments.

Source: Iowa Individual Income Tax Annual Statistical Report, compiled by the Iowa Department of Revenue, Tax Research and Program Analysis Section

STATE OF IOWA

Retail Sales by Business Classification **Schedule 7**

Sales Tax Annual Period April 1 through March 31 of the following year 2004 through 2013

Classification	2004 Number of Businesses	2004 Taxable Sales (in thousands)	2005 Number of Businesses	2005 Taxable Sales (in thousands)	2006 Number of Businesses	2006 Taxable Sales (in thousands)	2007 Number of Businesses	2007 Taxable Sales (in thousands)	2008 Number of Businesses	2008 Taxable Sales (in thousands)
Utilities & transportation	13,057	$ 3,736,575	13,276	$ 3,472,773	13,608	$ 3,480,731	14,409	$ 3,253,006	14,628	$ 3,385,552
Building materials	6,988	2,209,564	6,840	2,382,479	6,744	2,496,945	6,965	2,502,180	6,985	2,470,307
General merchandise	7,183	4,733,819	6,988	4,887,726	6,645	4,851,712	6,862	5,159,008	6,678	5,218,644
Food dealers	6,254	1,317,366	6,299	1,358,506	6,325	1,415,821	6,796	1,503,246	6,833	1,564,199
Motor vehicles	14,485	1,598,737	14,381	1,611,626	14,251	1,686,072	14,843	1,737,850	14,707	1,827,036
Apparel	5,503	708,476	5,567	742,213	5,786	793,065	6,162	825,421	6,147	841,572
Home furnishings & appliances	8,036	1,287,449	7,879	1,382,500	7,509	1,440,372	7,582	1,435,783	7,621	1,469,497
Eating & drinking places	26,377	2,575,410	26,711	2,710,571	27,439	2,895,134	29,893	3,084,773	30,518	3,274,850
Specialty retail stores	58,988	2,201,556	58,479	2,233,187	56,820	2,349,683	60,925	2,418,715	60,964	2,456,805
Services	103,227	3,650,972	104,669	3,775,677	105,712	4,021,968	114,755	4,277,480	116,970	4,476,801
Wholesale goods	20,156	2,232,352	19,467	2,357,267	18,759	2,486,270	19,280	2,469,117	18,788	2,499,040
All other	74,709	2,847,004	75,087	2,890,776	71,340	3,190,615	57,075	2,979,140	59,196	3,604,722
Total	344,963	$ 29,099,280	345,643	$ 29,805,301	340,938	$ 31,108,388	345,547	$ 31,645,719	350,035	$ 33,089,025

Classification	2009 Number of Businesses	2009 Taxable Sales (in thousands)	2010 Number of Businesses	2010 Taxable Sales (in thousands)	2011 Number of Businesses	2011 Taxable Sales (in thousands)	2012 Number of Businesses	2012 Taxable Sales (in thousands)	2013 Number of Businesses	2013 Taxable Sales (in thousands)
Utilities & transportation	14,876	$ 3,517,073	14,570	$ 3,416,539	14,489	$ 3,428,950	14,737	$ 3,405,479	15,053	$ 3,335,512
Building materials	6,981	2,561,077	6,821	2,437,841	6,636	2,507,236	6,530	2,704,879	6,504	2,712,261
General merchandise	6,666	5,428,309	6,478	5,366,827	6,296	5,408,118	6,211	5,530,952	6,151	5,475,235
Food dealers	6,817	1,634,570	6,770	1,713,971	6,766	1,732,752	6,776	1,772,985	6,729	1,782,829
Motor vehicles	15,177	1,926,927	14,210	1,852,142	13,867	1,967,946	13,723	2,108,205	13,612	2,124,416
Apparel	6,326	855,151	6,383	866,270	6,312	907,046	6,224	972,815	6,316	1,011,028
Home furnishings & appliances	7,960	1,456,128	7,914	1,202,096	7,615	1,195,401	7,474	1,205,592	7,398	1,202,792
Eating & drinking places	30,936	3,359,230	30,435	3,305,611	30,191	3,434,699	30,248	3,635,252	30,430	3,732,685
Specialty retail stores	61,037	2,510,639	60,568	2,496,150	59,166	2,615,424	58,914	2,759,729	59,103	2,909,350
Services	122,863	4,729,859	127,591	4,511,003	123,085	4,661,026	125,225	4,877,162	126,867	4,945,765
Wholesale goods	18,611	2,507,198	18,148	2,227,656	17,385	2,354,819	16,945	2,568,014	16,659	2,552,248
All other	54,838	3,218,496	50,982	2,547,487	50,573	2,690,600	50,937	2,996,903	50,965	3,016,466
Total	353,088	$ 33,704,657	350,870	$ 31,943,593	342,381	$ 32,904,017	343,944	$ 34,537,967	345,787	$ 34,800,587

The sales tax rate had remained at 5% since 1992. In September 2008 the rate increased from 5% to 6%.

Source: Iowa Retail Sales and Use Tax Report, compiled by the Iowa Department of Revenue, Tax Research and Fiscal Analysis Section

STATE OF IOWA

Ratios of Outstanding Debt by Type **Schedule 8**

For the Last Ten Fiscal Years

(Expressed in Thousands Except Per Capita)

Fiscal Year		Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
		Revenue Bonds	Capital Leases	Loans & Contracts	Certificates of Participation	Revenue Bonds	Capital Leases	Loans & Contracts	Certificates of Participation			
2004		$ 991,156	$ 4,498	$ 3,145	$ 2,495	$ 700,257	$ 108,645	$ 8,664	$ 36,277	$ 1,855,137	2.17	630
2005		965,724	4,390	2,820	2,035	757,800	123,861	4,838	-	1,861,468	2.06	628
2006		1,091,841	3,587	2,569	1,560	837,368	137,169	4,158	-	2,078,252	2.17	701
2007		1,110,582	6,293	2,854	1,020	921,938	157,665	3,431	-	2,203,783	2.22	739
2008		1,049,536	5,403	2,705	580	1,069,239	149,062	2,570	-	2,279,095	2.18	763
2009		1,017,620	4,438	2,526	395	1,150,222	145,930	21,283	-	2,342,414	2.12	780
2010	(1)	1,631,945	5,534	2,339	200	1,280,588	139,407	24,002	-	3,084,015	2.80	1,025
2011		1,930,626	3,664	2,145	-	1,336,824	143,111	28,119	-	3,444,489	2.95	1,131
2012	(2)	1,881,714	2,884	2,141	-	1,549,938	173,504	19,021	-	3,629,202	2.92	1,185
2013		1,833,247	206	1,834	-	1,791,429	39,323	35,195	-	3,701,234	2.86	1,204

(1) - Fiscal Year 2010 amounts reported reflect the effect of the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

(2) - Fiscal Year 2012 amounts reflect the prior period adjustments made in 2013 due to the implementation of GASB 61 and the inclusion of new component units at the University of Iowa.

Personal income and population are based on the calendar year that ends within the fiscal year (See Schedule 10).

STATE OF IOWA
Revenue Bond Coverage
For the Last Ten Fiscal Years

Schedule 9

Governmental Activities - General Fund
(Expressed in Thousands)

IJOBS-2009

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 60,220	$ -	$ 60,220	$ 13,750	$ 33,273	$ 47,023	1.28
2012	47,750	9	47,741	14,335	32,686	47,021	1.02
2013	47,523	1	47,522	14,955	32,069	47,024	1.01

IJOBS-2010

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 5,121	$ -	$ 5,121	$ -	$ 5,121	$ 5,121	1.00
2012	12,470	3	12,467	4,370	7,878	12,248	1.02
2013	12,470	-	12,470	4,470	7,792	12,262	1.02

Vision Iowa

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 15,895	$ 3	$ 15,892	$ 8,925	$ 6,967	$ 15,892	1.00
2012	15,910	8	15,902	9,390	6,512	15,902	1.00
2013	15,934	3	15,931	9,890	6,041	15,931	1.00

School Infrastructure

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 5,000	$ 7	$ 4,993	$ 2,045	$ 1,422	$ 3,467	1.44
2012	5,000	7	4,993	2,125	1,458	3,583	1.39
2013	5,000	-	5,000	2,055	586	2,641	1.89

All General Fund pledged revenues consist of casino and racetrack gaming revenues.

Governmental Activities - Special Revenue Funds
(Expressed in Thousands)

Tobacco Settlement Authority

	Gross Revenues		Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2004	$ 45,762		$ 412	$ 45,350	$ 1,325	$ 35,741	$ 37,066	1.22
2005	46,598		370	46,228	1,490	35,651	37,141	1.24
2006	43,189		2,929	40,260	2,555	38,681	41,236	0.98
2007	45,473		260	45,213	6,755	37,111	43,866	1.03
2008	62,302	*	1,253	61,049	14,700	41,656	56,356	1.08
2009	66,576	*	863	65,713	20,540	45,685	66,225	0.99
2010	71,327	*	1,097	70,230	12,510	44,350	56,860	1.24
2011	67,034	*	1,172	65,862	8,720	43,537	52,257	1.26
2012	68,283	*	1,437	66,846	9,590	42,970	52,560	1.27
2013	68,265	*	1,477	66,788	9,835	42,347	52,182	1.28

* Due to implementation of GASB Statement No. 48, the Tobacco Settlement Authority no longer reports tobacco settlement revenues. All tobacco settlement revenues are reported in the Tobacco Collections Fund and funds are then advanced to the Tobacco Settlement Authority for debt repayment. The amount shown represents the amount advanced and interest income.

Honey Creek Premier Destination Park

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 5,547	$ 5,539	$ 8	$ 370	$ 1,507	$ 1,877	0.00
2012	5,912	5,708	204	485	1,493	1,978	0.10
2013	6,066	5,835	231	565	1,473	2,038	0.11

Pledged revenues are from park revenues.

(continued on next page)

STATE OF IOWA

Revenue Bond Coverage

Schedule 9

For the Last Ten Fiscal Years

(continued)

Governmental Activities - Capital Projects Funds

(Expressed in Thousands)

Iowa Utilities Board and Consumer Advocate State Building

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Interest	Total	Coverage
2011	$ 887	$ -	$ 887	$ 250	$ 637	$ 887	1.00
2012	1,064	-	1,064	440	624	1,064	1.00
2013	1,062	-	1,062	460	602	1,062	1.00

Pledged revenues are from utility company assessments.

Prison Infrastructure 2010

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Interest	Total	Coverage
2011	$ 6,612	$ -	$ 6,612	$ -	$ 5,698	$ 5,698	1.16
2012	6,522	-	6,522	435	6,087	6,522	1.00
2013	6,518	-	6,518	440	6,078	6,518	1.00

Pledged revenues are from fines, fees and forfeited bail receipts.

Business-type Activities - University Funds

(Expressed in Thousands)

Residence/Dormitory Building Revenue Bonds

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2004	$ 112,395	$ 83,883	$ 28,512	$ 8,257	$ 9,779	$ 18,036	1.58
2005	121,231	92,439	28,792	10,032	9,407	19,439	1.48
2006	127,116	93,318	33,798	9,982	8,828	18,810	1.80
2007	136,767	99,554	37,213	10,672	8,626	19,298	1.93
2008	144,557	103,401	41,156	10,147	8,427	18,574	2.22
2009	154,572	111,814	42,758	10,877	8,269	19,146	2.23
2010	158,830	110,914	47,916	11,273	7,812	19,085	2.51
2011	166,881	116,908	49,973	12,948	7,015	19,963	2.50
2012	185,808	133,069	52,739	15,884	6,095	21,979	2.40
2013	189,843	135,514	54,329	16,394	6,284	22,678	2.40

Athletic/Multipurpose/Academic Facilities Revenue Bonds

	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2004	$ 20,837	$ 7,882	$ 12,955	$ 1,835	$ 1,565	$ 3,400	3.81
2005	22,535	8,379	14,156	1,975	1,950	3,925	3.61
2006	24,760	8,505	16,255	2,175	3,498	5,673	2.87
2007	36,014	13,482	22,532	4,060	6,109	10,169	2.22
2008	42,095	16,754	25,341	3,600	6,586	10,186	2.49
2009	51,506	18,518	32,988	4,180	6,817	10,997	3.00
2010	51,833	19,809	32,024	4,570	7,352	11,922	2.69
2011	53,076	15,970	37,106	5,186	8,041	13,227	2.81
2012	49,198	18,106	31,092	5,480	7,776	13,256	2.35
2013	49,793	17,638	32,155	6,530	8,550	15,080	2.13

Telecommunications Revenue Bonds

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2004	$ 17,454	$ 12,968	$ 4,486	$ 2,345	$ 1,146	$ 3,491	1.29
2005	17,056	11,866	5,190	2,430	991	3,421	1.52
2006	18,124	11,809	6,315	2,495	918	3,413	1.85
2007	19,574	13,452	6,122	2,575	842	3,417	1.79
2008	20,190	13,683	6,507	2,655	759	3,414	1.91
2009	23,323	15,653	7,670	2,825	435	3,260	2.35
2010	21,114	15,317	5,797	2,925	911	3,836	1.51
2011	23,164	15,555	7,609	3,015	1,219	4,234	1.80
2012	24,317	18,027	6,290	2,440	1,649	4,089	1.54
2013	24,789	17,920	6,869	2,945	1,467	4,412	1.56

(continued on next page)

STATE OF IOWA

Revenue Bond Coverage

Schedule 9

For the Last Ten Fiscal Years

(continued)

Business-type Activities - University Funds

(Expressed in Thousands)

Student Health Facility Revenue Bonds

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2004	$ 6,304	$ 4,524	$ 1,780	$ 480	$ 304	$ 784	2.27
2005	8,875	6,504	2,371	645	426	1,071	2.21
2006	10,057	7,550	2,507	675	399	1,074	2.33
2007	10,684	8,177	2,507	700	369	1,069	2.35
2008	11,374	8,684	2,690	735	339	1,074	2.50
2009	11,521	9,340	2,181	770	305	1,075	2.03
2010	11,914	8,897	3,017	800	270	1,070	2.82
2011	12,041	9,148	2,893	840	233	1,073	2.70
2012	10,811	9,311	1,500	515	128	643	2.33
2013	3,440	3,200	240	175	106	281	0.85

Utility System Revenue Bonds

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2004	$ 77,308	$ 54,751	$ 22,557	$ 5,220	$ 3,582	$ 8,802	2.56
2005	82,346	59,636	22,710	5,385	4,632	10,017	2.27
2006	89,162	66,673	22,489	6,955	4,339	11,294	1.99
2007	96,416	67,840	28,576	7,240	6,062	13,302	2.15
2008	104,481	72,871	31,610	8,610	7,841	16,451	1.92
2009	106,149	78,194	27,955	9,820	7,967	17,787	1.57
2010	109,638	77,000	32,638	11,810	7,484	19,294	1.69
2011	117,663	80,882	36,781	11,230	7,642	18,872	1.95
2012	122,367	83,958	38,409	12,540	7,221	19,761	1.94
2013	126,495	87,043	39,452	14,845	7,949	22,794	1.73

Parking System Revenue Bonds

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2004	$ 14,414	$ 9,691	$ 4,723	$ 635	$ 654	$ 1,289	3.66
2005	15,899	8,999	6,900	655	1,531	2,186	3.16
2006	16,825	10,732	6,093	1,320	1,440	2,760	2.21
2007	18,048	10,760	7,288	1,365	1,395	2,760	2.64
2008	18,412	12,234	6,178	1,410	1,346	2,756	2.24
2009	19,354	12,261	7,093	1,455	1,294	2,749	2.58
2010	18,562	13,459	5,103	1,490	1,195	2,685	1.90
2011	18,876	12,145	6,731	1,550	1,136	2,686	2.51
2012	19,984	12,655	7,329	1,605	1,068	2,673	2.74
2013	21,076	13,108	7,968	1,680	930	2,610	3.05

Recreational/Regulated Materials Facility Revenue Bonds

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2004	$ 3,418	$ 152	$ 3,266	$ 1,050	$ 548	$ 1,598	2.04
2005	3,743	156	3,587	1,400	524	1,924	1.86
2006	3,938	154	3,784	1,465	442	1,907	1.98
2007	4,110	74	4,036	1,525	393	1,918	2.10
2008	5,228	2,108	3,120	1,560	1,372	2,932	1.06
2009	5,080	1,726	3,354	395	2,360	2,755	1.22
2010	16,451	4,243	12,208	955	4,985	5,940	2.06
2011	24,151	8,815	15,336	1,845	5,593	7,438	2.06
2012	28,573	10,573	18,000	2,260	5,529	7,789	2.31
2013	34,787	11,649	23,138	4,005	5,449	9,454	2.45

(continued on next page)

STATE OF IOWA

Revenue Bond Coverage

Schedule 9

For the Last Ten Fiscal Years

(continued)

Business-type Activities - University Funds

(Expressed in Thousands)

Memorial/Maucker Union Revenue Bonds

				Debt Service*			
	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Principal	Interest	Total	Coverage
2004	$ 30,148	$ 28,122	$ 2,026	$ 1,050	$ 665	$ 1,715	1.18
2005	37,285	32,055	5,230	1,100	1,216	2,316	2.26
2006	38,367	30,729	7,638	2,065	2,100	4,165	1.83
2007	41,138	32,165	8,973	2,215	1,967	4,182	2.15
2008	41,428	32,933	8,495	2,290	1,897	4,187	2.03
2009	39,803	32,187	7,616	2,005	1,819	3,824	1.99
2010	44,138	36,262	7,876	1,655	1,749	3,404	2.31
2011	45,722	37,319	8,403	1,720	1,691	3,411	2.46
2012	34,367	26,657	7,710	1,950	1,427	3,377	2.28
2013	32,567	24,820	7,747	1,925	1,362	3,287	2.36

Hospital Revenue Bonds

				Debt Service			
	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Principal	Interest	Total	Coverage
2004	$ 638,515	$ 589,367	$ 49,148	$ 2,675	$ 1,236	$ 3,911	12.57
2005	674,118	598,087	76,031	560	1,142	1,702	44.67
2006	773,841	683,260	90,581	580	1,119	1,699	53.31
2007	814,693	708,788	105,905	610	1,094	1,704	62.15
2008	871,173	784,225	86,948	635	2,326	2,961	29.36
2009	928,193	863,979	64,214	2,065	3,314	5,379	11.94
2010	943,458	842,556	100,902	3,615	5,458	9,073	11.12
2011	1,033,448	903,039	130,409	3,500	4,959	8,459	15.42
2012	1,098,292	981,872	116,420	3,680	5,891	9,571	12.16
2013	1,125,336	1,013,711	111,625	4,870	10,159	15,029	7.43

Center For University Advancement Revenue Bonds

				Debt Service*			
	Gross Revenues*	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
2004	$ 1,427	$ 30	$ 1,397	$ 945	$ 557	$ 1,502	0.93
2005	1,161	18	1,143	530	406	936	1.22
2006	897	-	897	510	387	897	1.00
2007	870	-	870	535	367	902	0.96
2008	905	-	905	560	347	907	1.00
2009	945	-	945	575	337	912	1.04
2010	915	-	915	590	303	893	1.02
2011	890	-	890	610	280	890	1.00
2012	865	-	865	610	255	865	1.00
2013	876	-	876	645	231	876	1.00

All University Funds pledged revenues consist of charges for services which include room and board fees.

* - Certain amounts have been revised to reflect changes made by the Universities.

Source: Information provided by the Treasurer of State, Tobacco Settlement Authority and Universities.

STATE OF IOWA

Demographic and Economic Statistics **Schedule 10**

For the Last Ten Calendar Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population (*in thousands*)	2,944	2,954	2,966	2,982	2,988	3,003	3,008	3,046	3,062	3,074
Personal income (*in millions*)	$ 85,506	$ 90,289	$ 95,858	$ 99,112	$ 104,651	$ 110,135	$ 110,541	$ 116,616	$ 123,933	$ 129,503
Per capita personal income	$ 29,044	$ 30,565	$ 32,315	$ 33,236	$ 35,023	$ 36,680	$ 36,751	$ 38,281	$ 40,470	$ 42,126
Resident civilian labor force and employment (*annual averages*)										
Civilian labor force (*in thousands*)	1,612.3	1,623.8	1,659.8	1,664.3	1,661.0	1,676.0	1,673.9	1,670.3	1,663.6	1,638.8
Resident employment (*in thousands*)	1,540.1	1,545.4	1,584.1	1,602.8	1,598.3	1,607.0	1,574.3	1,567.7	1,565.5	1,553.1
Resident unemployed (*in thousands*)	72.2	78.4	75.7	61.5	62.7	69.0	99.7	102.6	98.0	85.7
Percent unemployed	4.5	4.5	4.6	3.7	3.8	4.1	6.0	6.1	5.9	5.2
Employment by industry, non-agricultural (*in thousands)*										
Construction	66.6	68.4	71.2	74.8	72.5	73.0	64.8	61.6	62.5	64.6
Manufacturing	220.0	222.9	229.5	230.9	229.4	227.8	203.7	200.1	207.4	210.4
Trade, transportation and utilities	303.1	305.6	306.8	308.6	308.8	309.2	302.0	300.0	301.9	306.8
Information	33.7	33.5	33.3	32.8	33.5	33.3	30.4	28.5	27.9	27.1
Financial activities	95.4	96.7	98.3	100.6	102.6	102.9	101.8	101.2	100.3	101.6
Professional and business	105.2	107.2	112.6	117.0	120.9	121.5	117.6	121.7	123.5	129.5
Education and health	189.8	191.4	195.3	199.0	202.3	206.7	211.0	213.5	215.9	220.6
Leisure and hospitality	125.5	127.6	129.6	132.7	136.7	135.3	132.4	129.7	130.6	134.2
Other services	56.2	56.3	56.2	56.6	57.7	57.7	57.6	57.0	56.5	57.7
Government	244.8	244.3	245.5	247.3	249.7	252.7	254.7	253.6	249.8	254.0
Total non-agricultural employment	1,440.3	1,453.9	1,478.3	1,500.3	1,514.1	1,520.1	1,476.0	1,466.9	1,476.3	1,506.5

Source: U.S. Department of Commerce, Bureau of Economic Analysis and Iowa Workforce Development, Labor Market Information Unit in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

STATE OF IOWA

Principal Non-governmental Employers

Prior Calendar Year and Nine Years Ago

Schedule 11

CALENDAR YEAR 2012

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Deere and Company	Machinery Manufacturing
4	Wells Fargo Bank NA	Finance
5	Rockwell Collins, Inc.	Equipment Manufacturing
6	Tyson Fresh Meats, Inc.	Food Manufacturing
7	Casey's General Store	Convenience Stores
8	Fareway Food Stores, Inc.	Retail Food
9	Principal Life Insurance Company	Life Insurance
10	Unitypoint Health	Health Services

CALENDAR YEAR 2003

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Deere and Company	Machinery Manufacturing
4	Principal Life Insurance Company	Insurance/Finance
5	Tyson Fresh Meats, Inc.	Food Manufacturing
6	Rockwell Collins, Inc.	Equipment Manufacturing
7	Pella Corporation	Wood Products Manufacturing
8	Fareway Stores, Inc.	Retail Food
9	Maytag Corporation	Appliance Manufacturing
10	Iowa Health Sytems	Health Services

The Code of Iowa defines employee counts as confidential data; as such, this information is not available.

Source: Iowa Workforce Development

STATE OF IOWA
Significant Classes of Assets by Function **Schedule 12**
Capital Intensive Departments Only
For the Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ADMINISTRATION & REGULATION										
Department of Administrative Services										
Land (acres)	133	133	133	133	133	133	138	138	138	138
Buildings & improvements (square footage)	1,210,406	1,210,406	1,210,406	1,433,865	1,443,917	1,472,729	1,766,069	1,810,569	1,810,569	2,708,428
Machinery & equipment	594	619	580	574	594	576	613	962	985	594
Alcoholic Beverages Division										
Land (acres)	15	15	15	15	15	15	15	15	15	15
Buildings & improvements (square footage)	181,996	181,996	181,996	181,996	181,996	181,996	181,996	181,996	181,966	181,966
EDUCATION										
Iowa Public Television										
Land (acres)	27	37	131	131	211	211	211	208	208	208
Buildings & improvements (square footage)	119,800	119,800	119,800	119,800	119,800	62,000	62,000	62,000	75,500	75,500
Machinery & equipment	544	583	572	580	578	983	977	908	927	876
Iowa Braille and Sight Saving School										
Land (acres)	70	70	70	70	70	70	70	70	70	70
Buildings & improvements (square footage)	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612
Iowa School for the Deaf										
Buildings & improvements (square footage)	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426
HEALTH & HUMAN RIGHTS										
Department for the Blind										
Buildings & improvements (square footage)	98,606	98,606	98,606	98,606	98,606	98,606	98,606	98,606	100,000	100,000
Machinery & equipment	221	221	221	211	229	264	262	200	199	198
Veterans Home										
Land (acres)	158	158	258	258	158	158	158	158	158	158
Buildings & improvements (square footage)	742,041	742,041	742,041	742,041	736,534	736,534	736,534	736,534	886,711	886,711
Machinery & equipment	218	225	218	239	241	250	262	266	298	373
Department of Public Health										
Machinery & equipment	278	311	335	368	358	336	422	417	466	471
HUMAN SERVICES										
Department of Human Services & Institutions										
Land (acres)	2,825	2,825	2,825	2,825	2,872	2,872	2,872	1,965	1,965	1,965
Buildings & improvements (square footage)	4,240,760	4,240,760	4,215,068	4,215,068	4,189,372	4,187,685	4,243,059	4,247,383	4,243,591	4,243,591
Machinery & equipment	1,404	1,377	1,424	1,562	1,617	1,734	1,754	1,793	1,807	1,900

(continued on next page)

STATE OF IOWA

Significant Classes of Assets by Function **Schedule 12**

Capital Intensive Departments Only

For the Last Ten Fiscal Years

(continued)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
JUSTICE & PUBLIC DEFENSE										
Department of Corrections & Correctional Facilities										
Land (acres)	1,932	1,985	1,872	2,112	2,112	2,112	2,122	2,136	1,984	1,976
Buildings & improvements (square footage)	3,392,487	3,873,806	3,101,404	3,786,838	3,922,016	3,930,180	3,930,180	4,057,021	3,958,161	3,978,657
Machinery & equipment	1,070	1,089	1,111	1,304	1,387	1,434	1,398	1,450	1,500	1,610
Judicial Districts										
Land (acres)	52	52	54	54	55	71	71	71	66	66
Buildings & improvements (square footage)	477,591	477,591	477,591	525,638	525,638	525,638	525,638	568,765	568,765	645,656
Machinery & equipment	301	317	294	296	298	297	283	292	310	305
Department of Public Defense										
Land (acres)	2,709	2,699	2,694	2,688	2,688	2,688	2,688	2,688	2,688	2,688
Buildings & improvements (square footage)	2,272,103	2,266,807	2,432,404	2,453,389	2,484,110	2,494,278	2,609,806	2,679,159	2,702,403	2,909,624
Machinery & equipment	288	278	323	327	350	330	391	417	401	466
Department of Public Safety										
Land (acres)	79	79	79	87	59	60	60	60	60	60
Buildings & improvements (square footage)	132,162	132,162	132,162	132,162	149,303	153,660	153,660	151,160	151,160	151,160
Machinery & equipment	1,406	1,415	1,471	1,420	1,416	1,495	1,477	1,623	1,806	1,904
ECONOMIC DEVELOPMENT										
Iowa Workforce Development										
Buildings & improvements (square footage)	129,822	129,822	129,822	129,822	129,822	129,822	129,822	129,822	129,822	129,822
Machinery & equipment	354	332	328	331	289	297	267	254	262	282
TRANSPORTATION										
Department of Transportation										
Land (acres)	9,886	8,840	8,161	8,256	7,568	7,199	7,404	7,071	7,069	7,138
Buildings & improvements (square footage)	2,189,403	2,224,961	2,279,725	2,293,725	2,311,895	2,320,784	2,360,453	2,388,154	2,413,888	2,474,076
Highway lane miles	233,558	234,039	234,451	235,471	235,821	235,999	236,426	236,428	237,115	237,394
Heavy equipment	4,926	5,048	5,114	5,326	5,385	5,550	5,803	5,779	6,101	6,238
Machinery & equipment	2,927	2,854	2,972	2,951	3,083	3,275	3,392	3,275	3,313	3,276
AGRICULTURE & NATURAL RESOURCES										
Department of Natural Resources										
Land (acres)	331,198	331,198	331,198	335,735	339,541	162,859	165,711	169,881	173,921	174,632
Buildings & improvements (square footage)	578,906	578,906	578,906	582,401	603,161	634,149	625,649	634,268	662,577	784,815
State parks	71	71	71	71	71	71	71	71	71	71
Wildlife management areas	20	20	20	20	20	20	20	20	16	16
Machinery & equipment	2,111	2,111	2,111	2,124	2,355	2,472	2,535	2,632	2,343	2,186

Source: Information provided by the Departments.

STATE OF IOWA

Operating Indicators by Function **Schedule 13**

For the Last Ten Fiscal Years or as Identified

	2004	2005	2006	2007	2008	2009	2010	2011 [1]	2012	2013
ADMINISTRATION & REGULATION										
Department of Administrative Services										
State employees covered by benefit plans	18,885	18,873	19,382	19,747	20,299	20,630	20,140	18,951	19,315	18,421
Number of State payroll warrants processed*	510,463	510,558	524,984	534,237	549,932	558,438	541,636	509,232	502,198	495,234
EDUCATION										
Department of Education										
Enrollment:										
Public schools	485,011	483,335	483,105	482,584	480,609	477,019	474,227	473,493	473,504	476,245
Universities	70,566	68,949	67,896	67,701	69,178	70,325	71,353	72,708	73,948	74,811
Community colleges	78,292	81,803	82,499	84,961	87,072	88,104	100,736	106,597	105,975	100,519
HEALTH & HUMAN RIGHTS										
Department for the Blind										
Number of clients served	9,089	9,090	8,006	8,204	7,204	8,239	8,093	7,197	6,971	6,617
HUMAN SERVICES										
Department of Human Services										
Average number of residents/patients	1,229	1,176	1,168	1,136	1,105	1,070	1,024	957	911	872
Average number of Medicaid recipients	281,212	297,376	297,000	317,169	306,000	330,286	361,385	380,749	393,664	401,129
JUSTICE & PUBLIC DEFENSE										
Department of Corrections										
Average number of inmates	8,547	8,547	8,721	8,752	8,765	8,712	8,384	10,301	10,022	9,635
ECONOMIC DEVELOPMENT										
Department of Economic Development										
Number of community development block grants/home projects funded	116	115	110	117	104	61	84	-	-	-
Iowa Workforce Development										
Number of unemployment claims accepted (**calendar year**)	88,976	91,540	92,610	91,367	126,309	165,030	125,564	107,937	99,107	INA
Unemployment insurance regular benefits paid (**in millions, calendar year**)	312.5	296.3	312.9	329.6	421.5	788.1	586.9	463.4	417.0	INA
TRANSPORTATION										
Department of Transportation										
Automobile driver licenses issued	1,196,564	1,002,548	864,514	709,590	938,192	1,153,422	1,016,493	919,844	810,494	1,052,641
Vehicles weighed (**in thousands, federal fiscal year**)	1,005	964	921	595	534	441	492	587	793	1,043
AGRICULTURE & NATURAL RESOURCES										
Department of Natural Resources										
Hunting & fishing licenses issued	1,366,087	1,368,624	1,378,487	1,372,423	1,305,779	1,374,122	1,418,625	1,356,740	1,413,309	1,559,955

* - Centralized State Payroll system only - excludes the Universities, Department of Transportation, Judicial Districts and certain other departments.

INA - Information not available.

Source: Information provided by Departments.

(1) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit.

STATE OF IOWA

Number of Employees - Primary Government

Schedule 14

For the Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011 [1]	2012	2013
Administration & regulation	2,022	2,040	2,101	2,147	2,167	2,254	2,227	2,142	2,073	1,993
Education	1,152	1,165	1,166	1,117	1,107	1,147	1,147	1,090	1,067	1,036
Health & human rights	1,769	1,793	1,851	1,878	1,931	1,976	1,959	1,801	1,710	1,746
Human services	5,381	5,496	5,676	5,982	6,060	6,224	6,079	5,631	5,441	5,395
Justice & public defense	7,629	7,546	7,685	7,854	8,119	8,247	8,024	7,614	6,415	6,371
Economic development	1,003	973	962	929	961	998	1,042	916	853	757
Transportation	3,311	3,355	3,338	3,190	3,257	3,311	3,328	3,135	2,908	2,899
Agriculture & natural resources	1,548	1,534	1,578	1,607	1,635	1,689	1,618	1,520	1,450	1,482
Universities	39,023	38,302	36,474	37,137	37,842	39,003	38,392	38,081	39,736	39,315
Other enterprise funds	300	309	300	298	302	310	294	173	178	174
Total primary government	63,138	62,513	61,131	62,139	63,381	65,159	64,110	62,103	61,831	61,168

Source: Department of Administrative Services

(1) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit.

STATE OF IOWA

Schedule of Current Expenditures - General Fund **Schedule 15**

Year Ended June 30, 2013

(Expressed in Thousands)

	Personal Services	Travel & Subsistence	Supplies	Contractual Services	Equipment & Repairs	Claims & Miscellaneous	Licenses Permits & Refunds	State Aid	Plant Improvement	Adjustments	Total Current Expenditures
Administration & regulation	136,911	5,950	4,926	60,390	6,588	528,223	121	640,523	8,739	(41,765)	1,350,606
Education	76,144	1,888	4,386	29,079	1,702	5,583	166	3,388,121	168	34,715	3,541,952
Health & human rights	119,160	1,829	11,036	221,052	5,017	1,044	15	58,852	-	(3,459)	414,546
Human services	395,955	5,832	20,318	188,856	23,172	1,910	12	4,942,154	-	(37,406)	5,540,803
Justice & public defense	550,225	13,035	32,817	121,776	17,322	5,848	55	267,761	47,910	(21,817)	1,034,932
Economic development	69,228	1,242	2,193	39,505	3,743	9,186	3	40,655	-	19,122	184,877
Transportation	231,061	31,975	47,079	124,003	11,896	130,423	94	52,155	806,219	(883,026)	551,879
Agriculture & natural resources	111,928	6,819	7,172	38,428	3,155	3,970	6	23,915	19,034	(25,434)	188,993
Total primary government	$ 1,690,612	$ 68,570	$ 129,927	$ 823,089	$ 72,595	$ 686,187	$ 472	$ 9,414,136	$ 882,070	$ (959,070)	$ 12,808,588

Source: State Financial Accounting System, Judicial Districts financial statements, Iowa School for the Deaf and Iowa Braille and Sight Saving School financials and adjusting journal entries from GAAP packages.

A C K N O W L E D G M E N T S

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